G. R. S. 58]

Previous references. 1920-21 (G. F.) **File No.** 79-20.

Serial Nos. Notes

Later references.

GENERAL AND REVENUE SECRETARIAT

Serial Nos.

Part B for January 1922

SUBJECT

Financial Settlement.

139/(F)

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Final Settlement

The first proof has been received from the Press. The original, containing the council Resolution of 8th May 21, the submission Note of 20th May and H. H.'s orders dated 26th May 21 are missing. The Press official, who had come here says that they are not traceable.

2) H. H.'s orders of 26th May 1921 has not been yet put in type.

3) Mr. Barney's Minute of 20/5-/20 has all been eaten away here and there by rats.

Mr. B. to kindly arrange for Copies 26/5/21

N.B.—Should routine notes be written on small slips the notes must be copied, or slips pasted on this form.

To Supdt. Govt. Press with compliments for favour of my orders being taken when the missing papers have been traced & sent to Supdt. Govt. Press

Please bring this to the notice of the Supdt. above

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record]

The accident has happened during the period when the men who have now gone away were idling before their cases. The copy had been given to them and while collecting the same from each person the few sheets were not forthcoming; as the copy has been set in type the original can be prepared.

28-11-21

26-11-21.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Financial settlement and

Table of contents as ordered is put up for printing and A recording the file. After approval, further action will be taken.

2.) The Finl Secy. has ordered that further action has to be taken re Settlement.

GS XX

24/7

24/7

1) Seen

2) Please see additions. as marked in Red ink – Type.

3) For clear indication Blue Pencil; portion not shaded are shaded in lead pencil.

4) Pulup adopts W.S. finl. P

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

C 118 - 26

b

G. R. S. 111-2,

General and Revenue Secretariat. | File No. | of 19

Serial No.

A typed copy of the table of contents is put up. The papers, which are to go to the Press have been arranged with headings.

Dft to Press is put up.

(The papers will be stitched, paged and tagged together after approval.)

For perusal please.

8/1/24

1001 9.10

I shall go thro these papers after the matter is sent in type. Some D.O. letters from the Private Secy to H.H. are very important and they contain the orders of H.H. - Please include them & connected correspondence in their proper place. sms

12.8.24

A corrected copy of the first proof received from the Press is put up. It is not

NOTE—Contn. sheet.

D 2695

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 19

Serial No.

flag C

possible to verify the accuracy of the last four pages as the originals have been lost by the Press. Attention is invited to the file note D 2695 - 11-21 and the Press Supdt's reply thereon.

2) The D.O letters, ~~etc~~ from the Private Secy to H.E.; etc. are not available here. Perhaps they are with the chief Secy.

Ees 1) It is for orders of the First Member's confidential note attached in a closed cover is to be printed.

1492 15/12

H Secy

15/12

Mr. Datta's marginal remarks on my note dated 16th February 1920 should also be printed in their proper places.

The whole matter should be arranged in chronological order.

The note of the First Member marked confidential and enclosed in the cover should also be printed.

NOTE—Contn. sheet.

H. R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

I believe there is a reference to this note in his minute dated 5th December 1920.

A list of contents of my note dated 19th Januar 1921 as given in the headings of paragraphs should be added to the collection.

There is a table of contents which has been struck out. It should stand.

If the original of the Council Resolution dated 8th May 1921 has been mislaid by the Press, the matte relating to it in type should be verified by a refer- ence to the copy of resolution available in the Con- fidential Branch. (A copy of the Submission Note dat 20th May 1921 is attached, and the matter relating t it may be verified from it.)

I think there were two or three demi-official communicationsfrom the Huzur Secretary or the Privat Secretary to His Highness in regard to the Budget -- Estimates of the current year. Enquiries may be mad in the Confidential Branch if they are there. It is necessary to insert them in the proper places in thi collection.

Very early action may be taken to get a clean proof which may be sent to me to see.

The whole matter should be carefully edited by the Assistant Secretary.

The printed Collection should be treated as Strictly Confidential & the no of Copies printed properly recorded

17-12-21

NOTE—Contn. sheet.

17/12/21

W&S 9

F. R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

The necessary instructions of the first Key have been carried out.

The confidential Branches not aware of any D.O.s referred to by the first Key. But they state that there are likely to be some in another file which is now before council. As it will take some time for this file to be available the Press can in the meanwhile be asked to send a second proof.

Sd
24/12/21
22

ys
sms
23/12/21

Sd
Asst
Censor
23/12/21

Submitted with a D.O. reminder calling for second proof as directed

Censor
4/1/22

Censor
sms
4/1/22

NOTE—Contn. sheet.

10

G 7 79-20

G.R.S. (III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Financial Settlement.

Printed copies have been received. The file may now be recorded as Manuscript A volume A file number may be given in 1920.

2.) On recording a slip has to be placed intimating that the manuscript of the Commit Resolution of 9th May 1921, Submission Note to H.M. & 20-5-21 & H.M.'s Reply ~~have~~ & 26-5-21 have been lost by the Press.

3.) The collection is to

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

11

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

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he worked "confidential"
sealed in a cover &
then sent to the
Records
GS
11.2.22.
2nd Sect.)

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G7 79-20 12

FINANCIAL SETTLEMENT FOR THE TRIENNIUM COMMENCING 1920- 1921.

TABLE OF CONTENTS.

---

(1) Government Order No. Fl. 6779-828/G.F. 39-17-1 dated 13th May 1918.

~~(2) First Member's Confidential note.~~

(2) Financial Secretary's note on the Revision of Financial Settlement dated 6th March 1920.

(4) Opinion of Council dated 1st April 1920.

(5) Extract from the Proceedings of the First Meeting of the Finance Committee. Paras 7 - 12

(6) Extract from the Proceedings of the Second Meeting of the Finance Committee held on ~~2nd~~ 7th May 1920.

(7) Mr. K.L.Datta's remarks dated 9th June 1920.

(8) Financial Secretary's note dated 16th July 1920.

(9) First Member's minute dated 17th July 1920.

9
(~~10~~) Dewan's Minute dated 20th July 1920.

10 August
(~~11~~) Opinion of Council dated 25th ~~July~~ 1920

11
(~~12~~) Financial Secretary's note dated 29th September 1920.

12
(~~13~~) Opinion of Council dated 2nd December 1920.

13
(~~14~~) First Member's minute dated 5th Decembe 1920.

14
(~~15~~) Resolution of Council dated 23rd December 1920.

15
(~~16~~) Financial Secretary's note dated 19th January 1921 under para 9 of Government order ~~of~~ No. 9.175-72-8/9.M.676-17-I dated 22nd June 1918.

16
(~~17~~) Dewan's minute dated 7th February 1921

17
(~~18~~) Financial Secretary's note dated 7th February 1921.

18
(~~19~~) Financial Secretary's note on Revenue Budget for 1920-1922 with Comptroller's remarks thereon.

19
(~~20~~) Financial Secretary's note on Capital Budget 1921-1922 with Comptroller's remarks.

(21) Notes of discussion in Council on 5th March 1921.

(22) ~~(28)~~ Council Resolution dated 28th April 1921.

(23) ~~(23)~~ Council Resolution dated 9th May 1921.

(24) ~~(24)~~ Submission Note ~~of~~ to His Highness dated 20th May 1921.

(25) ~~(25)~~ Order of His Highness dated 26th May 1921.

3

S. O.

Instructions for the guidance of Heads of Departments and the several Administrative Departments of the Secretariat in regard to the Financial Settlement.

No. Fl. 6779-828—G. F. 39-17-1, dated 13th May 1918.

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL AND REVENUE DEPARTMENTS.

Read—

Note by Mr. K. L. Datta, Special Officer, suggesting the adoption of a Scheme of Departmental or Financial Settlement for Mysore.

Order No. Fl. 6779-828—G. F. 39-17-1, dated 13th May 1918.

The subject of devising a scheme of Financial Settlement for regulating the growth of expenditure in the various departments of the State so as to check extravagance while securing the utilisation of the resources of the State for purposes of progress and advancement in all directions, has been under consideration for some time. In March 1917, Mr. K. L. Datta, Special Officer, submitted a note on the subject after a careful study of the growth of revenue and expenditure for some years past and the prospects and necessities of the future. Government have been pleased to accept the scheme formulated by Mr. Datta and the Budget Estimates for the current year have been framed in accordance with that scheme.

2. The scheme is based on the principle that after providing for certain reserves in order to meet future contingencies and to permanently safeguard the Financial stability of the State and after providing funds required to meet its obligatory expenditure, the resources of the State should be utilised in a systematic manner for development in all directions. Under normal conditions and careful administration, the revenue of the State will continue to grow and it is essential that this growth of revenue should be applied in definite proportions, for developing different branches of the administration simultaneously in accordance with their importance, in such a way as not only to ensure the expenditure of the revenue mainly in the directions most needed for continuous progress and advancement but also that the needs of none of the Administrative Departments may be neglected.

3. As all departments will have a share in the growth of the revenue under their administration, if any, the scheme is further expected to stimulate departmental officers to take effective measures for developing their revenue as they will be able thereby to add to their resources. If their revenues decline, the means available to them for improving the efficiency of their departments, will be less. At the same time, the fact, that only a definite sum will be available to each group for carrying out schemes of improvement or development appertaining to it, will act as a restrictive against extravagance.

4. The scheme will be actually worked in practice in the manner explained below. The present normal standard of the annual revenue of the State as well as the present normal standard of expenditure under the different heads have been determined and after providing for the reserves which are necessary for safeguarding the financial stability of the State, the balance of the revenue has been allotted to the different departments to meet their present scale of expenditure and to provide for improving their efficiency. These allotments will be further supplemented year by year by definite shares of the future growth of revenue of the State.

5. For purposes of determining the revenue and its growth and making allotments to departments, the whole administration has been divided into the following 4 groups of revenue-producing departments and 8 groups of spending departments and the reserves. The standard of revenue under each group and the assignments made to the several groups of spending departments are also shown against each.

No. Fl. 6779-828—G. F. 39-17-1, dated 13th May 1918.

REVENUE.

Revenue-producing departments	Standards of Revenue	Estimated annual growth
	Rs.	Rs.
I. The principal Heads of Revenue	2,22,18,000	4,50,000
II. Surplus Revenue of the Assigned Tracts ...	1,50,000	.....
III. Mining Revenue (Net) ... ... (After deducting contribution to Capitalisation Fund.)	5,49,000	20,000
IV. Interest (Net Receipts) and Productive Works—Revenue Account (Net) ... ... (Including net profits on Railways, Cauvery Power Scheme, Krishnarajasagara Works, Kolar Gold Fields Water-supply, and Industrial Works.)	38,33,000	2,00,000
Total ...	2,67,50,000	6,70,000

EXPENDITURE.

No.	Spending departments	Assignments for expenditure		
		Fixed	Annual growth of revenue	
			Percentage	Estimated share
		Rs.		Rs.
1	Direct Demands on Revenue	36,90,000	15	70,000
2	Palace (see para 9 below)	27,00,000	5	30,000
3	Administration	26,16,000	7	42,000
4	Protection and Army	41,24,000	15	90,000
5	Political, *i.e.*, Subsidy to British Government ..	35,00,000	...	.....
6	Public Works	27,80,000	13	78,000
7	Local Self-Government, *i. e.*, grants for Public Improvements	10,25,000	...	.....
8	Moral and Material Development, excluding grants for Miscellaneous Improvements	41,17,000	50	3,00,000
9	Reserves—			
	Reserve for interest and Sinking Fund on Capital Expenditure .. 12,33,000			
	Reserve for Famine Relief and Insurance 5,00,000			
	Reserve for Capital Expenditure on Irrigation Works .. 5,00,000			
	Reserve for non-recurring Expenditure 3,50,000	21,98,000	10	60,000
	Loss on Productive Works to be deducted from total expenditure of year .. .. —4,00,000			
	Net Surplus 15,000			
	Total ...	2,67,50,000	100	6,00,000

6. The present standard of the net revenue of the State has thus been taken at Rs. 2,67,50,000 and after providing out of it for all the reserves which are considered necessary for safeguarding financial stability, the whole of the balance, except a sum of Rs. 15,000 has been distributed among the several groups of departments to enable them not only to meet their present standard of normal

expenditure but also to provide for development as far as it is possible within the resources immediately available. It is also estimated that the annual growth of revenue will amount for the present to Rs. 6,70,000, of which Rs. 4,50,000 will be under principal heads of revenue and 15 per cent of this or Rs. 70,000 will be allotted to the group Direct Demands on Revenue. Of the balance of Rs. 6,00,000, 90 per cent will be distributed among the other groups year by year at the rates shown in the table and 10 per cent will be kept as a reserve for unforeseen contingencies. The fixed annual assignment shown against each group will be allotted to it every year and this allotment will be supplemented year by year by the fixed percentage of the growth of revenue in that year over the present standard as shown in the table. These allotments should enable all the departments not only to meet their current expenditure but also to have sufficient funds for developing their respective charges and improving their efficiency.

7. The groups "Civil Administration," "Protection and Army," "Public Works" and "Moral and Material Development," will also be allowed to spend the whole of the receipts appertaining to their own departments. Each department will thus have a direct incentive to improve its own revenues.

8. Every group will be required to keep its expenditure within the total funds thus allotted to it and no group will be allowed to exceed its grants under any circumstances. If there is an actual decrease in the revenue in any year, the deficiency will have to be met by the departments at the rates at which the growth of revenue is allotted to them, either by a reduction of their expenditure in different directions or from their accumulated balances.

9. The grant under "Palace" iucludes the Civil List, Pensions to the Ruling Family, Staff and Household of His Highness the Maharaja, Palace Military and Palace Civil Works. All the above will not be shown in the accounts under the group "Palace" but will be classified under different heads as at present. For the purposes of the *Pro-forma* account, however, they will be taken together, so as to ascertain the funds available for expenditure on the purposes mentioned.

10. It should be remembered that in assigning the amounts alloted to each group for actual expenditure, the requirements of all the departments included in it, should be taken into consideration and should be met one after another by turns in accordance with their urgency and importance as funds become available. Attempts to push vigorously in the same year, schemes of development in all the departments included in a group, should therefore, be avoided as far as possible.

11. In order to carry out this idea in actual practice, the Government will arrange for a distribution of the total funds which may be available under each group in the two years, in accordance with the estimates shown in para 5 among the different departments after a consideration of the urgency and importance of reform in each of them. In the case of groups like "Protection and Army" and "Moral and Material Development," which are under the control of more than one administrative department, the distribution of the funds among the different departments will be made by the several administrative departments concerned after consultation with each other. The distribution of the funds thus made will be communicated to the Heads of Departments to enable them to submit, after careful consideration, detailed proposals for reform and improvement. This will facilitate to a great extent the consideration by Government of the various schemes which may be submitted to them for consideration and sanction.

12. The reserves provided for are as follows:—

(*a*) The creation of a larger famine reserve by setting aside Rs. 5 lakhs in lieu of two lakhs per annum as at present. This fund will also be credited every year with interest on the balance of the fund at five per cent per annum.

(*b*) A reserve of Rs. 9 lakhs per annum to meet the interest on capital expenditure during the construction of the works and the losses inevitable during the first few years after their completion. The annual loss on the productive works during the period of their construction and for first three years after their completion will be calculated at 4 per cent on the amount spent on them and will be charged to the deposit account of the reserve fund to which the annual contribution will be credited. The fixed sum will be charged under the head 'Interest' on

debt by *per contra* credit to a deposit head for the reserve fund. The total annual loss will be deducted from the grand total expenditure of the year by *per contra* debit as a charge against the reserve fund.

(*c*) A sinking fund payment of Rs. 2 lakhs per annum for capital expenditure met either from past savings or from borrowed funds. This is in addition to the sum of Rs. 1,33,000 which is charged at present as a payment to the sinking fund on account of the loan of Rs. 20 lakhs raised in the year 1906.

(*d*) A reserve of Rs. 5 lakhs for meeting a part of the capital expenditure on Protective Irrigation Works which may not be productive at all or which even if productive will usually take a longer time than Railways and Industrial Works to yield a paying return.

(*e*) A reserve of Rs. 3½ lakhs per annum to meet special charges, which though not recurring annually, have to be incurred at periodical intervals. This is intended to meet non-recurring expenditure of an exceptional nature, for which the allotments made to the different departments are not intended to provide. Such items when less than Rs. 10,000 in amount should be met from the savings from the ordinary allotment of the different departments. When, however, they exceed Rs. 10,000 in amount and are quite of an exceptional character, sanction of Government should be obtained to special allotments for meeting them out of the reserve. In the current year's budget, some comparatively small items of expenditure which strictly speaking should have been met out of the allotments of the respective departments, were allowed to be charged to the special reserve. These items were as follows :—

Direct Demands on Revenue.

	Rs.
Forest—	
Inspector-General's visit	2,500
Stamps—	
Cost of Water-marked paper	12,500
Civil Administration.	
General Administration—	
Purchase of tents	10,000
Purchase of horses	3,000
Collapsible gates to Government House ..	2,000
Muzrai—	
Printing quit-rent register	6,000
Stationery and Printing—	
Kannada Punches and Matrices	25,000
Machinery for the Press	24,000
Types for Budget Notes	5,000

None of these items of expenditure were of an exceptional nature and most of them were also comparatively small in amount. Still they were allowed to be met out of the special reserve as the settlement came into force only this year and the departments concerned had no balances to draw upon. In future all departments will be required to meet such items of expenditure from their own funds.

When, however, grants are allotted from the special reserve to meet exceptional items of expenditure the grants will be ear-marked for the purpose for which they are sanctioned and any unspent portion will lapse to the credit of the special reserve.

13. It should be noted that the special reserve of Rs. 3,50,000 for non-recurring expenditure is not intended to meet unusually heavy expenditure of an exceptional character which cannot be expected to be met from the current revenues of the State, such as large special contributions to the Government of India for war or other purposes or exceptionally heavy expenditure on the construction of new additions to the Palace, etc., or other exceptionally large contributions to institutions outside Mysore. Such expenditure will be treated as extraordinary expenditure outside the Revenue Account and will be treated as a set-off against the past savings of the State. Rupees 2,00,000 is fixed for the present as the maximum

limit of each item of special expenditure which should be met out of the special reserve.

14. Similarly all extraordinary revenue of a special character will not be treated as part of the ordinary revenues of the State and will not be available for division among the different departments. Such revenue will generally be shown in the accounts as extraordinary revenue outside the ordinary revenue account. In exceptional cases if they are recurring and of a nature usually classified under revenue, they may be shown as part of the general revenues but they will still not be available for distribution among the different departments for meeting their ordinary expenditure.

15. Besides the above there is another reserve in the form of a capitalisation fund for the Mining Revenue. The revenue from the Gold Mines being more or less adventitious, it is considered desirable to set aside 60 per cent of the net revenues derived from them and to form a capitalisation fund which accumulating at compound interest will in a comparatively short period, amount to a sum sufficient to yield a revenue equal to that now obtained from the Mines; so that when the Mines are ultimately exhausted, the State will have in their place another source of revenue yielding the same amount as the Mines.

The contribution to the capitalisation fund calculated at 60 per cent of the net revenue from the Mines will be charged to the head 'Charges against Mining Revenue' by *per contra* credit to a special reserve fund and will be deducted from the net Mining Revenue before calculating the amount of it available for distribution among the several groups of spending departments. The fund will also be credited every year with interest at 5 per cent on its balance by *per contra* debit as a charge under the head 'Interest.'

16. The inital assignments for the groups of Departments and their shares in the annual growth of revenue now sanctioned will have effect for three years beginning from the current year and will be subject to reconsideration and revision at the end of that period.

17. In consequence of the adoption of the Financial settlement scheme, it is considered necessary to issue the following instructions for the guidance of all the Heads of Departments and the Administrative Departments of Government in regard to the submission of proposals for fresh items of expenditure.

18. Under the scheme, expenditure in respect of the several groups of departments will be strictly limited to the respective amounts allotted to them in the annual budgets which again must always be limited to the amounts available to them, *viz.*, the balance at their credit at the commencement of the year plus their annual assignments as also their respective shares of the excess of the estimated net revenue for the year over the normal standard. The balance at their credit cannot be overdrawn under any circumstances nor can additional expenditure be proposed during the currency of any year to be met from the estimated closing balance at their credit except in extraordinary circumstances.

19. Particular groups should sometimes find it necessary to accumulate funds with a view to provide in future years for specially large items of expenditure for departments under them.

20. The Comptroller will maintain a *pro forma* account for each group of departments which will be credited with its initial assignments for expenditure and its share of the growth of revenue of the year, to which it is entitled under the scheme, and will be debited with the actual expenditure incurred, and the balance will be carried forward from year to year, so that schemes for additional expenditure may be considered with reference to the resources available for the group concerned. These resources will consist of the closing balance at its credit at the close of the previous year, its fixed assignment for the year and its fixed share of the estimated growth of revenue during the same. It will thus be known to what extent additional expenditure can be incurred under each group to improve the efficiency of the departments included in it and schemes sanctioned for one group will not interfere with schemes for other groups.

21. The allotments made to the different departments, which are not actually spent during the year, will not lapse at the end of the year and will not go to swell

the surplus of the year, as hitherto, but will be charged off the revenue account of each year under a special head 'Unspent allotments added to departmental balances' by *per contra* credit to a deposit account. They will thus be available for expenditure in future years and when any portion of them is actually spent, the expenditure incurred from the balance at the credit of the department, *i.e.*, the excess of the total expenditure over the allotments for the year, will be deducted from the total expenditure of the year under the head "Expenditure met from departmental balances" by *per contra* debit to the deposit account mentioned above. The unspent allotments or expenditure met from past allotments will not thus affect the revenue surplus or deficit of the year concerned. The *pro forma* account will be published in the Finance and Revenue Accounts as also in the budget estimetes of every year. Heads of Departments and the Administrative Departments of Government will keep themselves informed of the state of the balances of the groups concerned.

22. Additional expenditure during the year current for which no provision has been made in the estimates should not be proposed and cannot be sanctioned, unless the amount required can be met by reappropriation.

23. All proposals for additional expenditure in future years should be sent through the Comptroller. That officer will examine the financial effects of the scheme with reference to the *pro forma* accounts of the group in which the Department is included and will append a statement in Form A attached showing whether there is margin for additional expenditure to the extent proposed according to the settlement scheme.

24. The powers delegated, under existing orders, to Heads of Departments to make reappropriation of grants allotted to them in the budget, without sanction of Government, will continue as heretofore.

25. The Comptroller is requested to issue necessary amendments to the Mysore Treasury Manual.

J. S. CHAKRAVARTI;
Financial Secretary to Government.

To—The Comptroller, Mysore Government.
The other Heads of Departments.
The Deputy Commissioners of Districts.
The Secretaries to Government.

APPENDIX A.

Certified that the additional expenditure proposed in the marginally noted communications $\frac{\text{can}}{\text{cannot}}$ be met out of the available margin under the group.....as per details given below.

	Rs.
1. Assignment for annual expenditure for the group as given in page....of the budget estimates for	
2. Departmental receipts of the group	
3. Normal share of annual growth of net revenues of the State belonging to the group	
4. Normal growth of departmental receipts	
5. Aggregate budget estimates of the group for....with subsequent additions, if any (excluding any special grants)	
6. Estimated balance on 30th June, under the group as given in page....of the budget estimates for....(with subsequent alterations, if any)..	
7. Amount involved in the present application	
8. Whether according to the foregoing figures the expenditure proposed can be met in future years	

Exd.—C. R.

FINANCIAL SECRETARY'S NOTE ON THE REVISION OF FINANCIAL SETTLEMENT.

(*Figures in this note are in thousands of Rupees.*)

Revision of terms necessary from 1920-21.—The settlement was sanctioned in Government Order No. Fl. 6779-828—G. F. 39-17-1, dated 13th May 1918, and its terms in respect of initial assignments and of shares of growth of annual revenue to be allotted to the different groups of departments required to be revised from next year ; *vide* para 16 of the Order.

2. *Revision for three years.*—The settlement is a general programme of administration of the financial side and as the factors affecting the resources and the demands upon them are many and shifting it is not desirable to revise the terms for a longer period than three years. I would, therefore, suggest that the revision may be sanctioned for three years.

3. *Estimate of Revenues.*—On what revenue resources—initial and annual (growth) we can count is the first point for consideration. A forecast of the standard of revenue has already been made in connection with the Financial Review and Forecast published in September last. The standard of net revenue in 1919-20 has been estimated at 2,65,97 and that of annual growth at 5,44. The initial resources of the triennium beginning with the next year should, according to the forecast be 2,65,97 + 5,44=2,71,41.

4. *Changes in Forecast published in September 1919.*—In some respects, however, the anticipations formed in the Forecast require alteration.

5. *Further Depreciation of Sterling Revenue.*—The calculations in the Forecast were made at 1s. 10d. the rupee. There is a further shrinkage of revenues as the exchange rate has since largely risen and this position is unaffected by the Report of the Currency Committee published on the 2nd instant and the action taken by the Government of India on it. Our revenues from Gold Royalty, Electric power supplied to the Kolar Mines and the sale of Sandal Oil are received in sterling and the sterling exchange continues to be unstable and is also moving against us. It is necessary to adopt some rate for making calculations and as the object of the recommendations of the Committee is to stabilize exchange at 2sh. (Gold) to the rupee and as the sterling may be expected to regain its normal gold value sooner or later, I assume an exchange rate of 2s. for the purposes of this note.

6. *Gold Royalty.*—The standard of revenue from Gold Royalty is based in the Forecast on the Budget Estimate for the current year. The output of the Mines is on the decline and it is not safe to place the estimate of production at higher than that in 1918-19, for which year actual figures are now available. Taking the actual revenue of last year and adopting the exchange rate of 2*s.* the standard of net Mining Revenue will be 3,40 against 4,52 taken in the Forecast.

7. *Revenue from Power supplied to the Mines.*—The estimate of revenue from sale of electric power to the Gold Mines taken in the Forecast is 17,74. At 2*s.* this revenue will be reduced by 1,48.

8. *Sandal Oil Revenue.*—The net revenue from sandal oil is taken at 1,00 in the Forecast. The oil is sold at different rates and the price of one kind of it has now been raised to 50*s.* The average price per pound may be estimated at 47*s.* and taking the cost of production, freight, etc., at Rs. 21½ per pound and 1,500 tons as the quantity of wood distilled in a year, the net revenue from Sandal Oil Factories may be estimated at 3,00 instead of at 1,00.

9. *Railway Revenue.*—Three lines of Railways—Mysore-Bangalore, Mysore-Nanjangud, and Birur-Shimoga—have been restored to us by the Madras and Southern Mahratta Railway Company and the 5 per cent of net earnings payable to the Company as their share of the divisible surplus of these lines, which may be roughly estimated at 40 is saved. The guaranteed interest on the Sterling Railway Loan has to be converted at the assumed exchange rate of 2*s.* and this

results in an improvement of 1,60. I have therefore, added 2,00 to the standard of net revenue from Railways.

10. *Revenue from Stamps.*—The current year's actuals to end of December 1919 show an appreciable increase in the revenue from Stamps as compared with the corresponding period of last year. "Stamps" is a progressive head and a large part of the improvement may be expected to be maintained. The standard may, therefore, be raised from 13,00 to 15,00.

11. *Excise.*—"Excise" also shows an improvement in the first six months of the current year, as compared with last year. Against the Budget of 70,00, the actuals will in all probability be about 72,00, at which the standard can be placed instead of at 70,00 as taken in the Forecast.

12. *Revenue from VI Installation.*—Since the Financial Review and Forecast was prepared, I have had an opportunity of examining in connection with the proposed revision of the project estimate for Krishnarajasagara Works, the revenue prospects of the Sixth Installation of the Cauvery Power Scheme. I am given to understand by Mr. Forbes that the revenue from this Installation will begin to be realised from 1921-22 and that it may be roughly estimated at about 3,50 in that year and at 7,00 in the next.

13. *Revenue from Iron Works.*—I understand from the Secretary, Education and Agriculture, that the Iron Works will begin to yield revenue from 1922-23, and that a revenue of 3,00 after meeting working expenses may be expected in that year.

14. *Additional Interest Charges.*—As I have explained in my note on the Capital Programme, it will be necessary to borrow about 80,00 in each of the next three years. Some of the works, *e. g.*, the VI Installation of the Cauvery Power Scheme may be expected to yield sufficient revenue to pay working charges as well as interest and others like Krishnarajasagara, Iron Works, Chitaldrug-Chikjajur and Nanjangud-Chamrajnagar Railways may either not pay at all or not be able to pay interest in the next three years. As, however, credit has been taken for whatever revenue is expected from Capital Works, the interest on loans borrowed for financing them has to be met from the total revenues. The interest charge on the loans raised in the three years may be estimated at 25,20 on the assumption that the charge in the first year of each loan will be three-fourths of the full annual amount. The balance to the credit of the Reserve for Interest on Capital expenditure is 7,87 and no further addition can be expected as the annual loss on account of interest on productive works is now about 9,00 the same as the annual contribution to the Reserve : *vide* para 22 *infra*. The available amount will suffice for meeting the charge (3,60) for the first year and part (4,27) of that for the second year. The balance of 17,33 will go to reduce the revenues of the second and third years.

15. *Estimate of Revenue as Revised.*—With the alterations referred to in paras 6, 7, 8, 9, 10 and 11 *supra*, the revenues—initial and annual (growth) in the three years will be as shown in the subjoined statement.

	Standard	1920-21	1921-22	1922-23
		Growth	Growth	Growth
Standard in 1919-20 as estimated in the Financial Review	2,65,97	...	...	...
Growth of revenue according to estimate in Review.	5,44	5,44	10,88	16,32
Royalty (*vide* para 6 *supra*)	—1,12	...	...	...
C. P. S. „ 7 „	—1,48	...	...	...
S. O. F. „ 8 „	2,00	...	...	..
Railways „ 9 „	2,00	...	...	...
Stamps „ 10 „	2,00	...	...	...
Excise „ 11 „	2,00	...	..	...
C. P. S. VI Instn. 12 „	...	...	3,50	7,00
Iron Works „ 13 „	...	...	...	3,00
Interest on new loans for Capital Works 14 „	...	...	—4,13	—13,20
	2,76,81	5,44	10,25	13,12

16. *Estimate of Demands on Revenues.*—The demands may be broadly considered under three classes: (1) Obligatory and Fixed, (2) Service Departments, and (3) Reserves.

17. *Obligatory and Fixed Demands.*—Under the first class come the following :—

(i) Civil List, Pensions to Ruling Family and Palace Military	 24,64
(ii) Subsidy	 35,00
	 59,64

18. *Demands of Service Departments.*—The group heads of expenditure coming under class (2) are noted below together with their standards of initial assignments in 1920-21 according to the calculations made in the Forecast.

Direct demands on Revenue	39,21	plus 1,05 =	40,26
Civil Administration including the staff and household of His Highness the Maharaja ...	29,55	" 45 =	30,00
Protection and Army	44,83	" 78 =	45,61
Public Works, including Palace, Public Works and New Guests' Palace, Mysore	30,27	" 76 =	31,03
Moral and Material Development	44,64	" 2,80 =	47,44
Local Self-Government	10,25	" ... =	10,25
Total ...	1,98,75	plus 5,84 =	204,59

19. *Expenditure on Grain and War Allowance.*—There is one large and important item of charge which relates to these Service Departments but which has been proposed to be met in the current year from the Famine Insurance Reserve. It is the expenditure on the grant of Grain and War allowances to the menials and low-paid clerks of all departments and it is estimated to amount to 12½ lakhs in the current year. It is not right to draw for this purpose upon the Famine Reserve which should be held in trust for saving the lives of people when there is a famine, and if the arrangement proposed to be followed this year, is continued for 2 or 3 years more, the whole of the Reserve of about 45 lakhs so laboriously accumulated by annual contributions of 2 and 5 lakhs during the last 13 years will be exhausted, and the object of forming a Famine provision will be frustrated. There is no near prospect of the cost of living being substantially reduced and in all probability the war and grain allowances will have to be continued as additions to pay, if not included in the pay itself. As the bulk of this charge, if not the whole, is more or less a permanent addition to expenditure, I think, it should properly be met from current revenues. The enhancement of salaries of low-paid subordinates in a large problem and it is not possible to say what may be the extent of relief called for and until this question is decided, the addition to be allowed to the assignments of the groups of Service Departments for meeting the extra expenditure on increased salaries cannot be calculated. The annual cost of the war and grain allowances on account of each group based on the actual expenditure in the first three months of the current year is noted below :—

Direct Demands on Revenue		3,25
Civil Administration		75
Protection	3,75	4,75
Army	1,00	
Public Works		75
Moral and Material Development		2,75
Local Self-Government		15
Total ...		12,40

As the exact expenditure required for affording relief on account of the high cost of living cannot now be calculated, the present system of making a separate provision independent of the assigments of the groups for meeting the cost of grain and war allowances may be continued. As, however, it is not right to utilise the Famine Reserve for this purpose, the charge may be met from the Special Reserve. It will, of course, be necessary to augment the resources of this Reserve by an additional contribution of 12,40.

20. *Less Income from School-fees.*—As the result of the policy of making education up to the Lower Secondary grade free, there will be loss of fee income of 1,09. This reduces the resources (departmental receipts) of the group "Moral and Material Development" and a corresponding addition will have to be made to the assignment for this group.

21. *Reserve Sinking Fund for new Loans.*—We may assume that the term of the public loans to be borrowed for capital works will be 25 years and that the Sinking Fund will not, as in the case of that for the loan of 20,00 raised in 1906, be separately invested and allowed to accumulate at Compound Interest. On this assumption the contribution to the Sinking Fund would be 3,20 in the first year 6,40 in the second and 9,60 in the third. We have, however, been setting aside 2,00 every year from 1916-17 for new loans and on 1st July 1920 the accumulated balance will be 8,00. The full contribution for the first year and part of that for the second can be met from this balance.

22. *Sinking Fund for Loan of 1906.*—The last payment to the Sinking Fund for the loan of 1906 will be made in 1921-22.

23. *Reserve for interest on Capital Expenditure.*—The loss on Capital works in the year 1918-19 was 8,64. Some of the works which are now being worked at a loss may be able to pay interest in the triennium but there are new works which will either be in the stage of construction or will not be capable of paying interest. The loss on account of interest on capital works in the triennium may roughly be taken at the present level of 9,00 and the contribution to the Reserve fixed at that amount as under the current settlement. On this assumption the annual payment to the Reserve is only a nominal arrangement for showing in the estimates and accounts the annual loss on productive works.

24. *Special Reserve for non-recurring Expenditure.*—The present annual contribution to the Special Reserve for non-recurring expenditure is 3,50 but it has to be increased to 6,00 for meeting the heavy demands to be met by it on account of the Prince of Wales visit and the decennial census.

25. *Total contributions to Reserves.*—The Reserves to which contributions are to be made from revenues in the three years are the following:—

	1920-21	1921-22	1922-23
	Rs.	Rs.	Rs.
Sinking Fund for the loan of 1906	1,33	1,33	...
Sinking Fund for new Loans	...	1,60	9,60
Irrigation Capital Reserve	5,00	5,00	5,00
Famine Insurance	5,00	5,00	5,00
Special Reserve for non-recurring expenditure ...	6,00	6,00	6,00
Additional contribution to the above reserve for grain and war allowances.	12,40	12,40	12,40
Industrial Development Fund	1,50	1,50	1,50
Total ...	31,23	32,83	39,50

26. *Deficit.*—The obligatory and fixed demands referred to in para 16 above amounting to 59,64 form the first charge on the standard of revenues of 2,76,81. The balance left is 2,17,17, while the aggregate of the demands falling under classes (2) and (3) amount to 2,04,59 (*vide* para 17) *plus* 1,09 (*vide* para 19 *supra*) *plus* 31,23 (*vide* para 24) = 2,36,91. The deficit in the standard budget is therefore, 19,74.

27. *How to balance the standard budget?*—The Council have decided upon imposing the Income-tax, retrenching expenditure wherever possible, and also discontinuing some of the Reserves.

28. *Income-tax Bill to be passed very early.*—Very early action is necessary to pass the Income-tax Bill and to arrange for the collection of this revenue from the beginning of the next year. The net yield of this tax may be roughly estimated at 6,00 on the assumption that the Mining Companies also can be brought under the levy. With this new revenue, the deficit will be reduced to 13,74.

29. *No retrenchments effected.*—No action in regard to any measures of retrenchment appear to have been taken so far and I do not know what saving can

be effected by weeding out unnecessary establishments and by elimination of items of expenditure on other than establishments.

30. *Discontinuance of Reserves undesirable.*—Some of the reserves cannot be discontinued while it is undesirable to give up the others. The Sinking Fund contributions cannot be avoided. Famine Insurance, Special Reserve and Industrial Development Fund are quite necessary. The price of food grains is increasing and the importance of attention to Irrigation works cannot be over-rated. It is, therefore, undesirable to give up the Irrigation Capital Reserve. The contributions to the above reserves should be considered to have the first claim on the revenues and if they cannot be spared from the standard of revenues at the commencement of the triennium, they should be provided for from the annual growth of revenue.

31. *Assignments for groups.*—Of the groups those that provide for expenditure of a more or less optional character are Public Works and Local Self-Government. The grant for Public Works, does not, however, admit of reduction as according to the orders of Council it has to give preference to the heavy demands on account of the New Guests' Palace at Mysore, out of the amount available for original works. The grant for Local Self-Government may be reduced to 5,00. This group had on the 1st July 1919 a balance of about 5,50 and in all probability about 2,00 out of the current year's grant of 10,60 will lapse. With 7,50 to start with, the resources of this group in the three years will, even after the reduction proposed, amount to $7{,}50+3\times5{,}00=22{,}50$ or an annual average of 7,50 which is about the average of actual expenditure in the last three years. The assignments for the six groups excluding the Palace may be fixed as under:—

	Rs.
Direct Demands on Revenue	39,50
Civil Administration including the staff and household of His Highness the Maharaja.	29,50
Protection and Army	44,75
Public Works	31,00
Moral and Material Development	47,48
Local Self-Government	5,00
Total ...	1,97,23

The appended statement A compares the proposed assignments with the actual expenditure of the groups in 1917-18 and 1918-19, the budget grant for 1919-20 and the assignments according to the Financial Review and Forecast. It will be seen that the grants proposed are workable.

32. *Position in the triennium.*—The position in the three years according to the proposals made above will be as shown in the subjoined statement:—

	1920-21		1921-22		1922-23	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Standard of Revenues ..	...	2,17,17	...	2,17,17	...	2,17,17
Net growth of revenue ..	...	5,44	...	10,25	...	13,12
Income-tax ..	....	6,00	...	6,00	...	6,00
Total ...	..	2,28,61	....	2,33,42	..	2,36,29
Assignments for groups of Service Departments.	..	1,97,23	...	1,97,23	...	1,97,23
Growth of revenue for distribution among groups.	..	15	...	3,36	...	...
Reserves—						
Sinking fund ..	1,33		2,93		9,60	
Famine Reserve ...	5,00		5,00		5,00	
Special Reserve ...	18,40	31,23	18,40	32,83	18,40	39,06
Industrial Development Fund.	1,50		1,50		1,50	
Irrigation Capital Reserve...	5,00		5,00		4,56	
Total ...	...	2,28,61	...	2,33,42	...	2,36,29

33. *Margin for Growth of Expenditure.*—It was calculated in the Financial Forecast that the minimum annual growth of expenditure would be 5,84 against the growth of revenue of 5,44. As shown in para 31, the growth of revenue including the new receipts from the sixth Installation of the Cauvery Power Scheme and the Iron works will be required for maintaining the proposed standard of expenditure of the Service Departments and for continuing the contribution to the Reserves and it is only in the second year of the triennium that a part (3,36) of the growth of revenue will be available for distribution among the groups of Service Departments. It will not, therefore, be possible to permit any growth of expenditure in the triennium unless the growth of revenue is in excess of that assumed in the calculations made in this not. When revenues decline, reduction of expenditure is necessary and if the existing standard of expenditure cannot be cut down, it cannot at least be allowed to increase. It is not right to permit growth of expenditure at the expense of reserves required for financial stability. If as decided by the Council, retrenchment of expenditure of about 5,00 is possible the amount saved will become available for providing for the more urgent of items of expenditure that may be found to be necessary.

Quite sound. K. LD.

34. *Estimate of Growth of Revenue and Shares to be allowed to Groups.*—As stated above the growth of revenue will mostly be not available for expenditure. For distributing the growth in the second year and that, if any, in the other two years over the level assumed in these calculations, it is necessary to settle what share should be allowed to each group. The shares allowed according to the current Settlement are as follows.

35. Present distribution of annual growth of revenue :—

Direct Demands on Revenue	15 % of growth under principal heads of revenue:	
Palace	5 % of total net revenues	
Civil Administration	7 %	do
Protection and Army	15 %	do
Public Works	13 %	do
Moral and Material Development	50 %	do
Local Self-Government	...	...
Surplus	10 %	do

36. *Share of Protection and Army may be increased.*—Such important heads as Courts of Law, Police, Medical and Sanitation are included under the group "Protection and Army and Military charges which come under the same group are also on the increase. Fifteen per cent of annual growth allowed to this group is not sufficient for its needs and it is necessary to increase its share. I would, therefore, propose that the share now allowed for the group "Moral and Material Development" may be reduced by 5 per cent and a corresponding addition made to "Protection and Army."

Yes. You should cut down Moral & Material Development by a further 5% & keep it under surplus or reduce the deficit. It means a loss of an unallotted reserve for K. LD i.e. increase surplus from 10 to 15%.

37. *Increasing Palace Military Charges.*—The proposal for increasing the grant on account of the Palace Military has to be considered in this connection. Any addition required on account of Palace Military charges can be made only by a corresponding reduction in the assignment of some other group of departments, preferably, if possible, in that for the head "Army" included under the group "Protection and Army."

38. *Consulting the Finance Committee.*—Attention is invited to para 5 of the Proceedings of the Budget Finance Committee of last year and to para 8 (iii) of Government Order No. Fl. 723-62—G. F. 200-18-8, dated 31st July 1919. If it is decided to consult the Committee regarding ~~to~~ the revision of the Settlement, it is necessary to summon a meeting of it very early.

(Id.) M. N. K.
16-2-1920.

39. The Private Secretary to the Dewan discussed the above proposals with me on the 4th instant and desired that the following points may be considered.

40. Whether the standard of Excise revenue at the beginning of the triennium for which the Settlement is proposed be renewed and revised should not be 72,00.

Attention is invited to para 15 of the above note. The standard of Excise Revenue included in the aggregate figure 2,76,81 is 72,00. 68,00 is included in the

figure 2,65,97. 2,00 is included in 5,44 and another 2,00 is separately added. 70,00 referred to in para 11 consists of 68,00 included in 2,65,97 and 2,00 included in 5,44.

41. Considering the recent actuals of the surplus revenues of the Civil and Military Station, whether the standard of 2,00 is not an under-estimate.

The surpluses during the last five years were as under :—

1914-15	..	..	..	2,36
1915-16	...	..	..	2,60
1916-17	..	..	..	3,62
1917-18	...	...	...	7,45
1918-19	...	...	..	9,83

When the above note was written, the surplus for 1918-19 was not known and the Administration Report of the Civil and Military Station since received shows that it is as large as 9,83. Judged by the actuals of the past three years, the standard of 2,00 is doubtless low. There is a strong desire on the part of the people of Civil and Military Station to use up as much as possible of the annual surplus and it is, therefore, difficult to form any accurate estimate of the surplus that we shall receive in the next three years. In any case and even allowing for a higher standard of expenditure of the Station than the existing level, I think, we may place the standard of the annual surplus to be paid to us at 7,00 on the average of the actuals in the last three years. Although we are justified in expecting 7,00 per annum in the triennium, I am not sure if it will be right to consider the whole amount as available for ordinary recurring expenditure. We do not know how long the annual surpluses would continue at that level and I would therefore propose that only 2,00 may be regarded as available for permanent recurring expenditure and the balance of 5,00 may be set aside for non-recurring expenditure and added to the Special Reserve intended for meeting such expenditure.

42. Does not the annual growth of revenue from Stamps, Excise and Railways, assumed in the Financial forecast published in September last, require any revision now?

Stamps.—The revenue in the current year is showing a marked upward tendency and it is in view of this that I have proposed to increase the standard by 2,00. What will be the future growth, it is difficult to say: but previous actuals do not warrant the expectation of a larger annual growth than about 43.

Excise.—I think it will not be safe to reckon upon a larger growth than 2,00.

Railways.—The growth should be larger than 1,00 but the paying prospects of the lines worked by us still continue to be poor. We, may, however, raise the annual rate of growth to 1,50.

43. Is not the grant of 47,48 proposed for "Moral and Material Development" unworkable as the net actual expenditure of 1918-19 was 48,20 especially in view of the fact that this group has lost its departmental revenue to the extent of 1,09 owing to the abolition of school fees?

The actual net expenditure of 48,20 in 1918-19 includes about 4,50 on account of minor industrial concerns, revenue and capital accounts, and industrial experiments, which will hereafter be met either from the Industrial Investment or Industrial Development Fund. Making allowances for this charge, which will not hereafter appear under the head "28. Industries and Commerce" the proposed grant is workable.

44. Is the grant of 44,75 proposed for "Protection and Army" workable considering that the actual expenditure of 1918-19 was 48,02?

The net expenditure of 48,02 in 1918-19 on account of "Protection and Army" includes the following items of a special character incidental to the war.—

Army.

Imperial Service Regiment.—Field Service		...	1,76
Transport.—	Mobilization equipment	...	97
	Recruitment	...	1,13
	Total	...	3,86

Excluding these items, the expenditure in 1918-19 was about 44,20 and the proposed assignment of 44,75 is therefore workable.

45. Is not the Famine Reserve the more appropriate head for exhibiting the expenditure on grain and war allowances instead of the Special Reserve as suggested in the above note?

If the arrangement of granting grain and war allowances is considered exceptional, the Special Reserve is the more appropriate head for showing the grant and expenditure on account of such allowances. When there is a permanent revision of pay of the subordinate services to compensate them for the high cost of living, the departmental assignments will have to be correspondingly increased by transfer of grants from Special Reserve to Departmental heads.

46. Is it right to assume that the need for the expenditure of 12,40 on account of grain and war allowances will continue throughout the triennium? Cannot fall in prices be expected in that period, leading to the cessation or the reduction of this expenditure, at least in the years 1921-22 and 1922-23?

What the future course of prices will be, it is difficult to say. Opinion in the best informed quarters appears to be that the prices level will not materially go down in the next few years. The need for an annual expenditure of 12,40 on account of high cost of necessaries of life will, I think, continue during the whole of the triennium, as, if the relief is not afforded in the form of these allowances, it will have to be given by increasing the pay of the subordinate services. The addition of 12,40 to the Special Reserve for non-recurring expenditure need not be specifically stated to be for the grant of grain and war allowances. It may be treated as a special addition to the Reserve for meeting all extra expenditure incidental to the prevailing abnormal conditions of food supply and high prices of the necessaries of life.

47. Would it not be a better arrangement to separately invest the Sinking Fund contributions and to allow them to accumulate at Compound Interest instead of utilising them for Capital expenditure.

There is much to be said against the investment of any of our savings in outside securities. The investment of Sinking Fund contributions in easily realisable securities is no doubt a desirable arrangement. If the system of a separate investment of the Sinking Fund with a view to accumulate the required amount at compound interest is adopted, the annual contributions need not be as large as I have proposed. We may roughly assume that the Sinking Fund provision required is for a loan of 3 crores and that the investment of the Fund will fetch 5 per cent interest. The annual contribution required will on these assumptions be about 6,00 and it may be made from the second year of the triennium, the demand of the first year being met from available balance.

48. With the alterations made according to the proposals in paras 41 and 42 above, the revised position in the three years will be as shown in the attached statement B.

M. N. K.
6-3-20.

[*Vide* para 31.]

Statement A comparing the proposed initial assignments with the actual expenditure of the groups in 1917-18 and 1918-19 and with budget estimate for 1919-20.

	Actuals, 1917-18				Actuals, 1918-19				Budget, 1919-20				Standard of assignment in Financial Review				Proposed standard or initial assignment			
	Gross expenditure	Departmental Receipts	Contribution from Special Reserve	Net expenditure	Gross expenditure	Departmental Receipts	Contribution from Special Reserve	Net expenditure	Gross expenditure	Departmental Receipts	Contribution from Special Reserve	Net expenditure	Gross expenditure	Departmental Receipts	Contribution from Special Reserve	Net expenditure	Gross expenditure	Departmental Receipts	Contribution from Special Reserve	Net expenditure
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Direct demands	36,42	...	...	36,42	39,44	...	86	38,58	40,70	...	...	40,70	40,26	...	...	40,26	39,50	...	...	39,50
Civil Administration	28,57	2,36	...	26,21	30,22	2,85	1,50	25,87	31,83	2,22	1,85	27,76	31,86	1,86	...	30,00	31,39	1,89	...	29,50
Staff and Household (Palace)	1,86	...	...	1,86	2,64	...	62	2,02	1,87	...	30	1,57	46,73	77	...	45,61	45,89	1,14	...	44,75
Protection and	27,96	1,30	...	26,66	34,01	89	59	32,53	33,74	71	...	33,03	32,23	1,20	...	31,03	32,20	1,20	...	31,00
Army	13,96	33	...	13,63	1,683	46	88	15,49	16,69	25	5,96	10,48	50,62	3,18	...	47,44	49,77	2,29	...	47,48
Public Works	28,26	1,54	...	26,72	35,33	1,93	3,30	30,20	31,09	1,20	64	29,25	10,25	...	...	10,25	5,00	...	...	5,00
Do (Palace)	98	...	...	98	2,27	...	...	2,27	4,02	...	3,00	1,02								
Moral and Material Development	39,24	3,24	...	36,00	51,86	3,66	...	48,20	54,56	3,50	1,34	49,72								
Local Self-Government	8,74	...	...	8,74	6,27	...	...	6,27	8,15	...	...	8,15								

[*Vide* para 48.]

Statement B showing the total ~~resurvey~~ Reserve and their distribution among the Departments and ~~Resurvey~~ Reserve during the triennium 1920-23.

	Standard	1920-21 Growth	1921-22 Growth	1922-23 Growth
Standard in 1919-20 as estimated in Financial Review	2,65,97	..	..	..
Growth of revenue according to the estimate in Review	5,44	5,94	11,88	17,82
Royalty	—1,12	..	..	..
Cauvery Power Scheme	—1,48	..	..	..
Sandal Oil Factory	2,00	..	..	..
Railways	2,00	..	..	..
Stamps	2,00	..	..	..
Excise	2,00	..	..	..
Cauvery Power Scheme, VI Installation	..	..	3,50	7,00
Iron Works	..	..	..	3,00
Interest on new Loans for capital works	..	..	—4,13	—13,20
Assigned Tract Revenue (additional)	5,00	..	..	..
Income-tax	6,00	..	..	..
	2,87,81	5,94	11,25	14,62
	..	2,87,81	2,87,81	2,87,81
Total Resources	..	2,93,75	2,99,06	3,02,43

	1920-21		1921-22		1922-23	
Palace and Subsidy		59,64		59,64		59,64
Assignments for groups of service departments		1,97,23		1,97,23		1,97,23
Growth of revenue for distribution among groups		65		1,96		4,66
RESERVES.						
Sinking Fund	(*a*) 1,33		(*b*) 5,33		6,00	
Famine Reserve	5,00		5,00		5,00	
Special Reserve	23,40	36,23	23,40	40,23	23,40	40,90
Industries Development Fund	1,50		1,50		1,50	
Irrigation Cap. Reserve	5,00		5,00		5,00	
Total		2,93,75		2,99,06		3,02,43

(*a*) Six lakhs out of balance of 8 lakhs taken this year.

(*b*) Balance remaining out of 8 lakhs taken this year.

W D 2321—GPB—25—10-4-20

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(For Disposal at an early Meeting)

No. C. 517

19 20

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause ix of the Schedule.)

Financial Settlement for the next triennium.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

Chief Secretary to Government.

12th March 19.20.

Extraordinary Member of Council.

589/13/3/20 **First Member of Council.** 14.3

5941-325 **Second Member of Council.** 16.3.20.
15-3-1920.

4985 **Third Member of Council.**
16.3.20

15/3

D 9623 C.5717 81

"C" - 6.

Financial settlement for the next triennium.

....

Opinion of the Council.

1) Budget maybe framed for 20-21 on old settlement -
2) meeting of Budget-Finance Committee maybe held on 15th april -
3) Receipt not maybe limited as circulated to members this time

CBS
1/4/20

(20 The Financial Secy. with compliments.

CBS
5/4/20

18
5/4/20

17

Extract from the opinions arrived at on the first meeting of the Finance Committee, held on 19th April 1920.

I. The Committee made the following suggestions re. the Budget Estimates for 1920-21.--

1. That in view of the speedying up of the Revision Settlements the Land Revenue budget may be increased by 2 lakhs.

2. That the revenue from Registration may be raised from 2.75 to 3 lakhs, as the Transfer of Property Act recently come into force does not provide exemption from compulsory registration of documents affecting immoveable property and as business in transfer of property is expanding.

3. That in view of the increase of litigation, the Budget under XIV Courts of Law may be raised by 17.

II. The proposals regarding the revision of the Financial Settlement were then considered by the Committee, and the following alterations in the resources and demands taken into account in the proposed terms of the Settlement were recommended.--

1. That the standard of Land Revenue may be raised by 1 lakh.

2. That the estimate of revenue from Income-tax may be raised from 6 to 8 lakhs.

3. That the grant for Economic Conference may be reduced by half a lakh.

4. That the total provision for allowances to low-paid staffs may be increased by 8 lakhs.

5. That a retrenchment of 2 lakhs may be effected by reducing establishments, ~~especially menial establishments~~.

6. That the net result of the above alterations may be utilised for improving the assignment to the Group "Moral & Material Development" for increasing the grant under "Education".

7. That with the exception of the Irrigation Reserve, none of the other reserves could either be abolished or their contributions redu-

By Order,

Secretary, Finance Committee.

Extract from the Proceedings of the Second Meeting of the Finance Committee, held on the 7th May 1920.

X X X X X

II. Financial Settlement.

6. The proposals regarding the revision of the Financial Settlement contained in the Financial Secretary's note dated 6th March 1920 were recommended for adoption with the following alterations in the resources and demands taken into account.--

(i) The standard of Land Revenue may be raised by Rs. one lakh.

(ii) The estimate of revenue from Income-tax may be raised from 6 to 8 lakhs.

(iii) The provision under Economic Conference may be reduced by half a lakh.

(iv) The total provision for allowances to low-paid staffs may be increased by 3 lakhs.

(v) Retrenchment of 2 lakhs may be effected by reducing establishments wherever possible.

(vi) The contribution to the ' Irrigation Reserve' may be suspended. None of the other reserves can either be abolished or their contributions reduced.

The net improvement of the above alterations may be utilised for increasing the assignment to the group 'Moral & Material Development' for raising the grant for ' Education'.

7. The assignments to the different groups of service departments possible under the proposed Settlement, were compared with the standards of expenditure of the groups for which provision is made in the Budget Estimates for 1920-21 and it was found that the total amount available for making the assignments fell short of the requirements of the next year by 30 lakhs. It was held that this deficit can only be wiped out by effecting all possible further economies, by improving the yield of existing items of revenue, and if possible, by tapping new resources of revenue.

Financial Settlement

I regret I have not been able to give this subject that amount of attention & thought which it demands. It also requires detailed scrutiny. As you have telegraphed for my reply I am compelled to return the papers to you after having spent the whole of my morning today. It is past 12 & if I detain it after my breakfast I shall miss today's mail.

I attach the greatest importance to the Reserves & you should fight as boldly as you can for their retention. The whole stability of the finances depend on them. The famine reserve ~~& the sinking fund~~ should be invested in safe & easily realisable securities & is the most important asset of the state against all kinds of Emergencies, including famine. For instance if you are unable to raise as large a loan as you require, you can realise your securities held against the reserve & meet your emergent demand temporarily, replenishing your reserve as soon as you can raise a loan.

I have made marginal notes. In my opinion the cost of living is not likely to exceed

15

very officially with the next
two years & the best way to meet
the recent requirements of the
case is to raise the pay of the
men, fixing the rate of the
staple food over which pain
compensation is to begin at
a much higher level practically
the level of the current year.
All the salaries are raised
the Extra charges should
not of course special reserve.
The charge has nothing whatever
to do with famine.

As to Sinking fund money
the best way to invest it is
to buy up your short term loans
or to reduce the amount of your
future loans. I have strong
objections to [illegible] any of your
moneys except the famine &
Savings Bank moneys in any
other securities Except your
own or you can extend
amounts available by reducing
the amount of your future loans
correspondingly which means
investing in your own loans.

K. L. D
9.6.20.

I think the rest would
do more harm than good
there K. L. D
9.6.20.

DRAFT.

Revision of the Financial Settlement.

The proposals for revision of the Financial Settlement were ordered by the Council on 1st April 1920 to be placed before the Finance Committee. The recommendations of the Committee are contained in para 6 of their report dated 7th May 1920.

2. The standard of expenditure for which provision is made in the Budget Estimates for 1920-21 is in excess of the available revenues and the Settlement as suggested by the Finance Committee cannot, therefore, regulate the transactions of the triennium. A workable settlement is wanted and the position, therefore requires further consideration.

3. The first point for consideration is what are the standard of revenue and growth of on which we may count. A statement is appended shewing the standard of revenue taken under the different heads and the growth of revenue anticipated in the second and third years of the triennium. If these standards and anticipated increases are accepted, the expenditure programme will have to be limited to these available resources as the Settlement cannot be for a deficit any more than for a surplus.

4. The budget for current year provides for a net expenditure chargeable to revenues of

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Rs.3,24,66,000. The only item of importance of a non-repeating character included in this total is the sinking fund contribution of 1.33 on account of the loan of 20 lakhs raised in 1906 and this contribution will not be required from 1921-22. We are now setting aside annually a sum of 2 lakhs towards a Sinking fund for new loans and this contribution will become unnecessary when full provision for Sinking Fund charges of the loans to be raised from this year is made separately made. Making allowance for these items the balance of the budgeted expenditure in 1920-21 represents the standard for which provision will have to be made in the future also. A part of the expenditure in 1920-21 has been proposed to be met from balances to the credit of departmental groups and reserve As these balances will be exhausted in that year, it will not be possible to depend upon this resource for meeting any part of the expenditure in the next two years. Such expenditure in 1920-21 is Rs.19,66,000.

5. The provision for the grant of high price allowances made in the budget for 1920-21 is Rs.20,00,000. This is not sufficient at the rates proposed by the Finance Committe and an additional sum of at least Rs.3,00,000 will be required to afford such relief to the low paid staffs of all departments including the Education Department.

6. The present grant to the University is Rs.7,00,000. As the University itself has be

budgeting for a larger scale of expenditure than the Government grant, it is not expected to have any balance to its credit at the end of the current year and it has already informed Government that it would require an annual grant of Rs.10,00,000 in the future. An addition of at least of Rs.2,00,000 is necessary to the University grant.

7. If the Judicial Reform Scheme has to be extended to the remaining four districts, a grant of Rs.1,00,000 will be required in each of the next two years.

8. For the public loans to be raised in the triennium, provision has to be made for the payment of Interest and Sinking Fund charges. After meeting the demands on these accounts from the balances to the credit of Sinking Fund and Interest reserves, a sum of 8.50 lakhs is the expenditure in 1921-22 and of 21;24 lakhs in 1922-23.

9. The Irrigation Capital Reserve is practically an arrangement for insurance of Land Revenue, and the contribution to it, temporarily suspended in the first year of the triennium, will have to be resumed.

10. Taking the above factors into calculation the position in the triennium will be as shewn in the sub-joined statement.

	1920-21.	1921-22.	1922-23.
		(in thousands of rupees.)	
Standard of Revenue.	3,22,39	3,22,39	3,22,39
Growth of Revenue	..	10,19	23,38
Total Resource (Vide Statement A.)	3,22,39	3,32,58	3,45,77
Expenditure against the revenues of the year according to the sanctioned budget for 1920-21.	3,24,66		
Deduct.			
Present contribution of 2 lakhs to sinking fund for new loans ~~expenditure~~-Vide Para 4 supra	- 2,00	-----	-----
Net expenditure according to standard based on the Budget for 1920-21.	3,22,66	3,22,66	3,22,66
Add expenditure met from departmental balances in 1920-21, but which has to be met from Current revenues ditto from 1921-22		19,66	19,66
Additional grant on account of high price allowances to all deptts including Education.	3,00	5,00	5,00
Deduct contribution to old loan not required from 1921-22.	-	1,33	-1,33
Sinking Fund and Interest charges on account of new loans not from balances of Interest (7,41 for 1920-21 and 9,86 for 1921-22) Gain Sinking fund charges reserve		8,50	21,24
Irrigation Capital Reserve -Contribution not allotted in 1920-21		5,00	5,00
		2,00	2,00
		1,00	1,00
		3,60,49	3,73,23
		37,91	27,43.

29

40

11.The following factors have also to be considered in judging of the exact financial position:-

(1) The standard of revenue assumed is as high as it can be taken as will be seen from its being R.7½ lakhs more than the revenue anticipated in the first year of the triennium according to the sanctioned budget. The forecast of the growth of revenue relies upon special increases of R.3,50,000 from the Cauvery Power Scheme in 1921-22 and of R.10 lakhs in 1922-23 from Cauvery Power Scheme (7½ lakhs) and Iron Works (3 lakhs.) If the expectation in regard to the standards and growth of revenue on which we count are not realised, the position may be worse than the result shown in the above statement.

(ii) Government have approved of the recommendations of the Committee which reported upon the extension of Medical Relief, but no provision for giving effect to the recommendations is included in the above statement.

(iii) Orders on the Education Memorandum have not yet been passed and the annual provision included in the above statement for giving effect to the reforms according to the Memorandum is only R.3 lakhs.

(iv) In view of the trend of prices the provisions made for departments like Military, Medical, Police, which purchase articles on a large scale may prove to be inadequate.

(v) The normal annual contribution of

3½ lakhs to the Special Reserve for non-recurring expenditure has proved inadequate for meeting the demands on this Reserve. The same amount is again proposed for renewal as more cannot be spared. The addition of Rs. 5 lakhs is for the New Guests Palace at Mysore

(vi) Services, superior and subordinate, in British India are being re-organised and their scales of pay enhanced. The rates of pension of some of the services have also been increased there. The improvement of salaries of some of the services is also a matter which may require consideration.

(vii) The amount included in the standard of expenditure shewn in the above statement for making grants for Public Improvement is Rs.7,75,000. The demand for increasing these grants is insistent.

12. It will be seen from the calculations made above that the total deficit in the triennium will be Rs.58½ lakhs and that the annual average deficiency is 19½ lakhs. The position, therefore, calls for immediate attention with a view to take vigorous steps for restoring equillibrium in the annual budgets. Measures for improving revenues and also for reducing expenditure are both urgently called for. The scope for retrenchment of expenditure ~~xxx~~ is however limited and it is also difficult to think of new items of revenue from tax or non-tax sources. In these circumstances it seems to me that the improvement of our budgetary portion has to be secured more by increasin

and developing the existing revenues derived from taxes and productive public works than by any other means. If the contribution to the Irrigation Capital reserve is to be foregone even for the second two years of the triennium as for the first, the average annual deficit will be reduced to $\left(\frac{58.64 - 10.00}{3}\right)$ about 16¼ lakhs and I think that retrenchment to the extent of half of this amount may be arranged to be effected and the other half found by improvement of revenue.

Revenue from Land Revenue, Stamps, Forest Railways, Sandal Oil Factories and Industrial Works, are I believe capable of expansion and it is necessary to require the authorities concerned to take vigorous steps to show definite results. Some use for the water in the Krishnaraja Sagara Reservoir has to be found as early as possible and the proper return obtained for the very heavy capital outlay on it. If measures for improving these sources are adopted, it may not be difficult to add about 10 lakhs to our total revenue. If between retrenchment of expenditure and improvement of revenue a sum of about 16 lakhs is secured, it will suffice for wiping out the deficit. Although the position is one requiring early attention it is not such as to cause anxiety as it should not be difficult with our varied resources and big programmes of expenditure to secure an improvement of about 16 lakhs on the whole.

13. For the purpose of the Settlement which has now to be renewed, it is necessar to limit the total annual assignments from ne revenues to the severice departments to the amount available as worked out in the statement below. If orders are passed to limit th expenditure in the departmental groups to thi amount, the grant for each group of departments can be settled afterwards.

	Standard. 19[illegible]-31.	Growth. 1931-32.	Increase.
Income.			
I. Principal Heads of Revenue.	2,52,01	4,01	[illegible],
II. Surplus Revenue of Assigned Tract	7,00		
III. Irrigation Revenue-Net after deducting Capitalization Fund and other charges.	4,00		
IV. Interest (Net)	5,00		
Interest charges for new loans	..	- 0,02	[illegible],
V. Productive Capital Works-Revenue Account (Net)	22,00	1[illegible],01	1[illegible],
	2,26,01	- 01	[illegible],
		2,00,01	2,[illegible],
	2,00,01	2,00,02	[illegible],
Expenditure.			
I. Police and Subsidy	20,04	20,01	[illegible],
Sinking fund for loans	1,75		[illegible],
Grant for build[illegible] prior allowance [illegible] addition to Commercial Establishments.	22,00	22,00	-,
II. Irrigation.			
I. Working Charges.	2,00	2,00	[illegible],
II. Capital Development Fund.	1,50	1,10	[illegible],
III. Irrigation Capital Works.	5,00	5,00	[illegible],
IV. Special Reserve-Expenditure [illegible] Head-Irrigation grant for other special charges.	0,10	0,01	[illegible],
	1,05,17	1,00,04	1,[illegible],
[illegible] Incremental Receipts available for Incremental expenditure	0,03	0,01	[illegible],
[illegible] available for assignments to groups of departments.	1,02,00	1,04,00	2,[illegible],
[illegible] available for Departmental Expenditure.	1,00,00	2,00,00	2,[illegible],
Do Do if contribution to Irrigation Reserve is foregone as suggested in para 12 supra	2,03,32	2,05,82	2,07,33

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14. In the estimates and accounts prepared according to the Settlement, two totals of expenditure are now given, namely one including expenditure met from balances, and the other excluding such expenditure. This arrangement is found by some to be somewhat confusing and it seems to me that it can be simplified in respect of the Reserve am for interest on Capital Expenditure. The object of this reserve was to create a fund for meeting the losses on productive works during their construction and in the initial stages of their working. The loss on productive works financed from loans first appears as an interest charge and that on works financed from revenue surplus and non-interest bearing funds is indicated by less receipts under Interest and the object of the reserve is to transfer such loss and deficiency to a separate fund head, formed by annual contributions from revenue. The arrangement is somewhat complex and we may let the result stand under the head "Interest". If this is done, there will be no need either for making any contribution to the Reserve or to deduct from the total annual expenditure the charge representing the loss on productive works. The abolition of this arrangement does not, however, mean that interest will not be calculated upon productive works or that the loss or profit on their working will not be calculated. The financial results of productive capital works will continue to be exhibited

Work Docket No. 221

Name of Compositor [illegible]

Line Account Memo June 1929

English—		Kanarese—		
12-point	....	14-point	....	
11-point	....	12-point	....	
10-point	....			
8-point	....	Margins	....	
7-point	....	Hours	....	40

Calculator. *Head Acctt.* *Asst. Supt.* *Supt.*

D2673

47

in the separate statement appended to the Budget Estimates.

15. I do not think any further reference of this question to the Finance Committee is necessary.

(Bringing in the S.C.'s note at the next meeting) 16/7/20

Dewan through
First Member and
Chairman,
Finance Committee.

4443
16.7.20.

A draft to my last minute to facilitate discussion copy of this note may be circulated to members of C. with Dewan's forwarding

I believe the cut staff has this year been denied leave & not billed like you in future years. I heard this informally at the Residency the other evening. If this is so, the malis have become very serious now my salaries lie in the scene of the subsidy

(We have to fight against it)

16.7

Sent. in reply to the above minute on the 22nd inst. Copies of this Note, it is hoped, have been sent to the 22nd & 23rd meetings 20.7.20.

TSR.3.

Statement No. showing the standard of Revenue and the Budget Estimates for 1920-21 by Major Heads.

	1920-21 Budget.	Standard.	Growth. 1921-22.	Growth. 1922-23.
.Land Revenue.	1,12,00	1,12,00	1,00	2,00
I. Forest.	40,06	42,85	80	1,60
III. Excise	72,00	74,00	2,00	4,00
IV. Miscellaneous & Income Taxes	6,50	8,30	..	..
V. Stamps.	14,50	15,86	45	90
VI. Registration.	3,00	3,00	8	16
VII. Assigned Tract Revenue.	8,00	8,00	..	..
VIII. Mining Revenue.	10,00	13,00*		
IX. Interest	9,27	7,60		
X. Scientific & Miscellaneous departments.	29	15		
XI. Pension & Allowances	15	15		
XII. Stationery & Printing.	61	50		
XIII. Miscellaneous.	1,56	1,26	3	6
XIV. Courts of Law.	69	45	2	4
XV. J a i l s.	2	2		
XVI. Police.	6	6		
XVII. Medical.	30	20		
XVIII. Sanitation & Vaccination	4	4		
XIX. Civil Works	1, 10	1,20		
XIX. A.Economic Conference & Co-operative Societies.	1	1		
XX. Education.	1,75	1,16	20	40
XXI. Agriculture.	1,19	90		
XXII. Industries & Commerce,	11	5		
XXIII. A R M Y .	63	55		
XXIV. Railways (Net Receipts)	16,96	17,75	1,50	3,00
XXV. Krishnarajasagara Works (Net Receipts)	3,18	2,78	15	30
XXVI. Cauvery Power Scheme (Net receipts).	9,29	10,00	45	90
Sixth Installation			3,50	7,00
XXVI. Sandal Oil Factory(Net)	1,31	1,00		

* Estimate based on present output at Rs 50 per oz (bases on

XXVIII.	K.G.F.Water Supply (Net Receipts).	-26	50		
XXIX.	Industrial Works (Profits)	65	47	5	6
	Iron Works.				5,00
		3,15,15	3,22,30	10,19	25,00

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D 358

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R. S. III-2]

General and Revenue Secretariat.	File No.	of 191

Serial No.

To the Chief Secy for circulation acc to the orders of the Dewan.

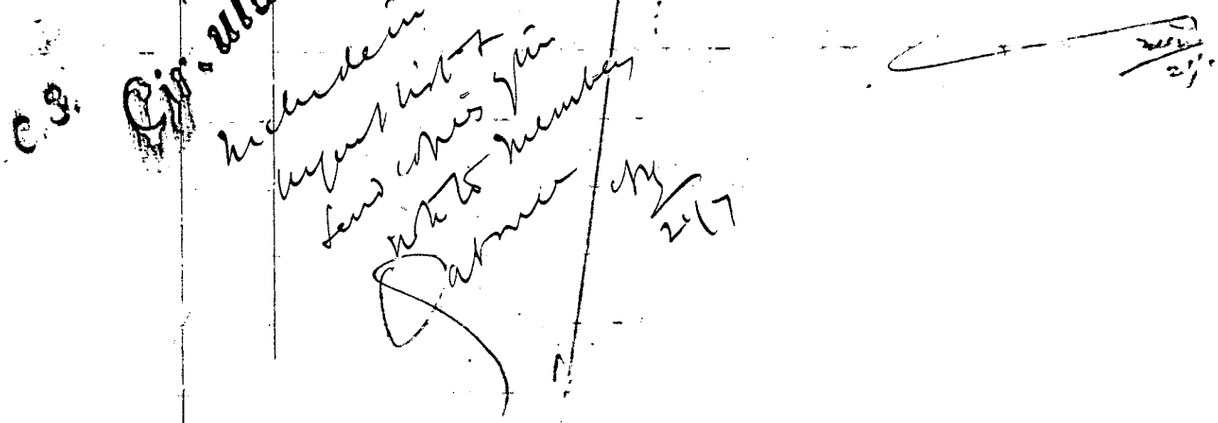
Share copies of note of 16-7-20 have are placed in the file.

Draft will be put up after the matter is Considered in Council.

Encle 20-7-20

Two Copies are put up

C.S. Circulate.



NOTE—Contn. sheet.

C.147

"C"

~~Urgent~~ Subject. -

Revision of Financial Settlement.

Opinion of Council dated 25th August 1920. Opinion of the Council."

25/8/20

Discussed but in part.

It was agreed to prepare a standard budget for a Fiji settlement on basis of current years standard of expenditure - the deficit thus fixed not to be exceeded for any reason. Increased revenue should be used to wipe off deficit.

To the Financial Secy. with compliments.

26/8/20

(12)

Financial Secretary's note dated 29th September 1920.

X

I herewith submit a statement containing the forecast of the financial position during the three years commencing with the current year, as required by the Council resolution dated 25th August 1920. The statement is in two parts. The first part contains the figures by groups of heads and part II ~~two~~ by major heads.

I note the important items, the estimates under which have been altered. The actual revenue under Excise in 1920 is about 72 lakhs. As the bids for the current year are -- reported to have ~~been~~ resulted in an increase of five lakhs, I have assumed the initial standard of revenue from Excise as 72+5=77 lakhs and allowed for a growth of 2 lakhs in each of the second two years. I understand from Mr. Mathan, -- that the gross estimate of revenue from Income-tax may be placed at 9 lakhs. I have adopted this figure and allowed about 1 lakh for expenditure. As it is expected that the orders of the Government of India withholding the Civil and Military Station Surplus Revenue will be withdrawn, the -- Assigned Tract Revenue has been retained in all the three -- years.

A loan programme of 2½ crores has been assumed and the annual contribution to the Sinking Fund for discharging the loan has been calculated on the assumption that it will be invested so as to earn 6 per cent. interest or utilised in buying up our own paper. The charges on account of Interest and Sinking Fund on account of new loans have been proposed to be met from the balances of Interest and Sinking Fund -- Reserves to the extent they are available. The annual expendi-

(31)

ture

expenditure programme during the three years has been based as ordered by the Council on the standard of expenditure for which provision is made in the current year's budget and no growth of expenditure over such standard has been allowed for. The contribution to the Irrigation Capital Reserve has been omitted in all the three years. One lakh has been added under Courts of Law for extention of the Judicial Reform -- Scheme to the remaining districts. Two lakhs have been added under Education for allowing an annual grant of about 9 lakhs to the University.

The deficit of Rs.22,13,000 in the third year shows the real position after taking into account all the items of revenue on which we can reasonably count and all the items of expenditure for which provision ~~has been made~~ is necessary on the scale of present commitments. The smaller deficits in the first two years of the triennium are due chiefly to the temporary aid derived -- from departmental balances and accumulated reserves.

29.9.20

(Chief Secretary.)

Recirculate

4/10/20

2/10.

57

(For Disposal at a Meeting) C 6 No. C. 147

.....1920-21

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the Schedule.

Revision of Financial Settlement.

CIRCULATED TO THE MEMBERS OF COUNCIL.

with reference to Council instructions dated the 25th August 1920.

By Order,

C Ballence Langford

5th October ..... 1920.

Chief Secretary to Government.

Extraordinary Member of Council. Seen RKNow 16.11.20.

132 6/10 **First Member of Council.** Yes 7.10 Cons Suppl should be omitted from the present yr

9.170. 9.10.20 **Second Member of Council.** Seen Jeus 11.10.20

2366 7.10.20 **Third Member of Council.** Vide 8/10.

C 147

C 25

"C" - 1.

55

Revision of the Financial Settlement

...

—OPINION OF THE COUNCIL.

Brought up at next meeting.
Copies will be furnished to
members
CBS
3/11

To the Financial Secy, with compliments, for necessary action.
The next meeting will be on the 18th inst.
CBS
14/11

Copies of the statement have been sent to Dewan and ~~Councillors~~ members.
Smith
16.11.20

To the Chief Secy

42

	Budget Estimate, 1930-31.	Standard 1930-31.	Standard 1931-32.	Standard 1932-33.
Receipts.				
Principal Head of Revenue.	2,03,03,000	2,00,01,000	2,03,53,000	2,07,03,000
Surplus Revenue of Attached Plot.	8,00,000	8,00,000	7,00,000	8,00,000
Mining Revenue.	10,00,000	13,00,000	13,00,000	13,00,000
Interest	6,77,000	7,60,000	7,80,000	7,80,000
Civil Administration.	1,6[illegible],000	1,05,000	1,80,000	1,[illegible],000
Protection	1,1[illegible],000	77,000	70,000	81,000
Public Works	1,10,000	1,00,000	1,80,000	1,00,000
Forest and Industrial Development	3,04,000	3,10,000	3,60,000	8,50,000
Army and Defence.	03,000	00,000	35,000	25,000
Railways-Revenue Account-Net Receipts.	10,00, 000	18,75,000	20,25,000	21,75,000
Productive Irrigation Works-Revenue Account-Net Receipts	3,10,000	2,78,000	3,98,000	3,03,000
Electrical Works-Revenue Account Net Receipts.	9,00,000	10,00,000	13,00,000	17,00,000
Industrial and other Works-Revenue Account-Net Receipts.	1,70,000	1,97,000	3,00,000	5,03,000
Total Revenue	3,15,15,000	3,00,30,000	3,36,58,000	3,[illegible],77,000

	Budget Estimate, 1920-21.	Revised Estimate 1920-21	Budget Estimate 1921-22	Revised Estimate 1921-22
Revenue.				
Interest on Public Debt.	47,52,000	50,45,000	50,45,000	50,45,000
Charges against Irrigation Revenue.	6,91,000	6,92,000	6,92,000	6,92,000
Interest and Sinking Funds.	23,83,000	22,24,000	26,31,000	22,74,000
Salaries.	23,51,000	23,70,000	23,50,000	23,51,000
Civil Administration	40,98,000	40,59,000	38,09,000	36,37,000
Protection.	36,25,000	42,35,000	44,35,000	44,35,000
Public Works.	37,15,000	37,[illegible],000	37,[illegible],000	[illegible]
Road and Material Development.	59,10,000	64,53,000	60,50,000	60,50,000
Local Self Government.	7,75,000	7,07,000	7,[illegible],000	7,[illegible],000
Army and Defence.	55,40,000	57,76,000	57,76,000	57,76,000
Famine Relief and Insurance.	5,00,000	5,00,000	5,00,000	5,00,000
Miscellaneous Railway and Electrical Expenditure.	31,000	1,07,000	1,07,000	1,07,000
Special Reserve for Non-Recurring Expenditure.	27,43,000	3,50,000	3,50,000	3,50,000
Add-Account allotments transferred to Balances at credit of Departments.	Dr. -			
Total expenditure	3,87,65,000	3,61,93,000	3,66,20,000	3,72,25,000
Deduct-Expenditure met from balances at credit of Departments and Reserves.	62,99,000	23,23,000	9,[illegible],000	1,[illegible],000
Total expenditure charged to Revenue.	3,24,66,000	3,38,70,000	3,56,57,000	3,71,[illegible],000
Surplus or deficit —	—9,51,000	—7,31,000	—19,79,000	—[illegible],000
[illegible]	3,15,15,000	3,[illegible],000	3,[illegible],000	3,[illegible],000

34

Omitting ~~three~~ 000

Revenue.	Budget 1920-21.	Standard for Settlement period. Initial standard 1920-21.	1920-22 growth Standard.	1922-23 Growth standard.		Rem
1	2 3	4	5	6	7	8
PRINCIPAL HEADS OF REVENUE.						
I. Land Revenue.	112,00	112,00	1,00	113,00	1,00	114,00
II. Forest.	40,06	42,85	80	43,65	80	44,45
III. Excise.	72,00	77,00	2,00	79,00	2,00	81,00
IV. Income and Mis. Taxes.	6,50	8,30	-	8,30	-	8,30
V. Stamps.	14,50	15,86	43	16,29	43	16,72.
VI. Registration.	3,00	3,00	8	3,08	8	3,16
Total	248,06	259,01	4,31	263,32	4,31	267,63.
SURPLUS REVENUE OF ASSIGNED TRACT.-						
VII. Assigned Tract Revenue.	8,00	7,00 (a)	-	7,00 (a)	-	7,00
MINING REVENUE.						
VIII. Mining Revenue.	10,00	13,00	-	13,00	-	13,00
INTEREST.						
IX. Interest.	9,07	7,60	-	7,60	-	7,60.

(a) Retained as the Govt. of India - withholding order is expected to be withdrawn

Actu in 19 20: 7 Incre in re 1920-2 about Lakhs

Income tax estimate net. - Gross estimate roughly 9 lakhs

35

1	2	3	4	5	6	7	8	9
VIL ADMINISTRATION.-								
X.Scientific and Mis. Departments.	29		15	-	15	-	15	
XI.Pensions & allowances.	15		15	-	15	-	15	
XII.Stationery & Printing.	61		30	-	30	-	30	
XIII.Miscellaneous.	1,56		1,26	3	1,29	3	1,32	
Total	2,61		1,86	3	1,89	3	1,92	
PROTECTION.								
XIV.Courts of Law.	69		45	2	47	2	49	
XV.Jails.	2		2	-	2	-	2	
XVI.Police.	6		6	-	6	-	6	
XVII.Medical.	30		20	-	20	-	20	
XVIII.Sanitation & Vaccination.	4		4	-	4	-	4	
Total	1,11		77	2	79	2	81	
PUBLIC WORKS.								
XIX.Civil Works.	1,10		1,20	-	1,20	-	1,20	
MORAL AND MATERIAL DEVELOPMENT.								
XIXA. Economic Conference and Co-operative Societies.	1		1	-	1	-	1	
XX.Education	1,73		1,16	20	1,36	20	1,56	
XXI.Agriculture.	1,19		90	-	90	-	90	
XXII.Industries and Commerce.	11		3	-	3	-	3	
Total	3,04		2,10	20	2,30	20	2,50	
ARMY AND DEFENCE.								
XXIII.Army.	63		35	-	35	-	35	

1.	2	3	4	5	6	7	8	9
RAILWAYS-REVENUE ACCOUNT.								
XXIV. Railways (Net Receipts).	16,96		18,75	1,50	20,25	1,50	21,75	
PRODUCTIVE IRRIGATION WORKS-REVENUE ~~WORKS~~ ACCOUNT.								
XXV. Krishnarajasagara works (Net receipts).	3,18		2,78	15	2,93	15	3,08	
ELECTRICAL WORKS - REVENUE ACCOUNT.								
XXVI. Electrical works (Net Receipts).	9,49		10,00	3,95	13,95	3,95	17,90	VI Installation Revenue - 3,50 in 1921-22; 7,00 in 1922-23.
INDUSTRIAL AND OTHER WORKS - REVENUE ACCOUNT.								
XXVII. Sandal Oil Factory (Net receipts).	1,31		1,00	-	1,00	-	1,00	
XXVIII. Kolar Gold Fields Water Works (Net Receipts)	-26		50	-	50	-	50	
XXIX. Industrial Works-Profits.	65		47	3	50	3	53	
Iron Works.						3,00	3,00	
Total	1,70		1,97	3	2,00	3 3,00	5,03	
Grand Total Revenue.	315,15		326,39	10,19	336,58	10,19 3,00	340,77	

6/

Omitting 000

Expenditure.	Budget estimate, 1920-21.	Standard based on the budget for 1920-21. NO GROWTH OF EXPENDITURE PROVIDED FOR. 1920-21	1921-22	1922-23.	Remarks.
1	2	3	4	5	6	7
[illegible]					
1. Land Revenue.	22,96	22,96	22,96	22,96	
2. Forest.	13,98	13,98	13,98	13,98	
3. Excise	4,39	4,39	4,39	4,39	
4. Stamps.	91	91	91	91	
5. Registration.	1,28	1,28	1,28	1,28	
Total	43,52	43,52	43,52	43,52	
High Prices allowance.		6,93	6,93	6,93	
[illegible]					
6. Capitalisation Fund.	4,83	4,83	4,83	4,83	
7. Supervision of mines.	2,08	2,08	2,08	2,08	
Total	6,91	6,91	6,91	6,91	
High Prices allowance.		1	1	1	
[illegible]					
8. Sinking Fund.	3,33	4,05	4,75	6,79	Sinking fund contribution of 1,37 for loan of 1,906 is not necessary from 1921-22. Contribution of 2 lakhs for new loan not necessary. Actuals of sinking funds calculated on present loan programme entered.
9. Interest on debt and other obligations.	11,50	11,50	11,50	11,50	
10. Reserve for Interest on Capital Expenditure.	9,00	-	-	-	omitted in the Standard vide para 14 of note.
Interest for new loan.			9,76	14,45	Actuals worked out on the basis of present programme of loan operations.
	23,83	[illegible]	26,01	32,74.	

14

4

12

Omitting 000

1	2	3	4	5	6	7
PALACE-						
11. Palace.	23,50		23,50	23,50	23,50	
CIVIL ADMINISTRATION-						
12. General Administration.	17,51		17,61	13,11	13,11	Special expenditure on Viceroys and Prince of Wales visits included in 1920-21 omitted in the subsequent 2 years (4½ lakhs)
13. Surrai Institutions.	3,60		3,60	3,60	3,60	
14. Scientific and Miscellaneous Depts.	2,31		2,31	2,31	2,31	
15. Pensions & Allowances	9,10		9,10	9,10	9,10	
16. Stationery and printing.	5,14		5,14	5,14	5,14	
17. Miscellaneous	1,42		1,42	1,42	1,42	
Food supply establishment etc.	1,80		-	-	-	This is expected to come before the close of the year.
Total	49,98		39,18	34,68	34,68	
Grain Compensation Allowance and special allowance.	20,00		-	-	-	For all groups in budget. Distributed in standard.
High Prices allowances.	~~1,41~~		1,41	1,41	1,41	
PROTECTION-						
18. Courts of Law.	10,83		10,83	11,83	11,83	1 lakh ~~less~~ addition for Judicial Reform Scheme.
19. Jails.	1,64		1,64	1,64	1,64	
20. Police.	13,26		13,26	13,26	13,26	
21. Medical.	9,27		9,27	9,27	9,27.	
22. Sanitation & Vaccination.	1,25		1,25	1,25	1,25	
Total	36,25		36,25	37,25	37,25	
High Prices allowance.				6,80	6,80	

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Omitted 000

1	2	3	4	5	6	7
PUBLIC WORKS-						
23. Irrigation works charged to Revenue.	9,65		8,65	8,65	8,65	
24. Civil works.	27,50		27,50	27,50	27,50	
Total	*37,15		36,15	36,15	36,15	* includes 5 lakhs for new guests ~~quarters~~. Palace a outlays on Mundra project to be met out of irrigation reserve ~~omitted~~. ~~Irrimation receipt~~ omitted in all the years.
High Prices allowance.			1,53	1,53	1,53	
						No provision for Irrigation Reserve in all the years.
MORAL AND MATERIAL DEVELOPMENT-						
25. Economic Conference.	2,00		2,00	2,00	2,00	
26. Education	44,00		44,00	46,00	46,00	2 lakhs addition for the University.
27. Agriculture.	7,50		7,50	7,50	7,50	
28. Industries and Commerce.	3,00		3,00	3,00	3,00	
28 a. Industrial development fund.	1,50		1,50	1,50	1,50	
29. Co-operative Societies.	1,16		1,16	1,16	1,16	
Total	59,16		59,16	61,16	61,16	
High Prices allowance			5,34	5,34	5,34	
LOCAL SELF GOVERNMENT.-						
30. Grants for public improvements.	7,75		7,75	7,75	7,75	
High Prices allowance.			12	12	12	
ARMY AND DEFENCE-						
31. Army	20,46		20,46	20,46	20,46	
32. Subsidy to British Government.	35,00			35,00	35,00	
Total	55,46			,46	55,46	
High Prices allowance.				2,10	2,10	

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Omitted 000

1	2	3	4	5	6	7
[illegible] RELIEF AND MISCELLANEOUS-						
33. Famine Relief.						
34. Famine Insurance.	5,00		5,00	5,00	5,00	
MISCELLANEOUS PUBLIC WORKS AND MISCELLANEOUS CAPITAL OUTLAY CHARGED TO REVENUE-						
35. Ir. Military expenditure.	21		21	21	21	
36. Ir. Electrical expenditure.	10		10	10	10	
Total	31		31	31	31	
Agriculture Allowance of Revenue account of productive works.			76	76	76	
[illegible] CONTRIBUTION TO RESERVE- [illegible]	27,83		3,50	3,50	3,50	In the Standard provision is made only for the annual Contribution to the reserve for special non-recurring expenditure. Special items included in the Budget have been distributed in the Standard among the Groups.
[illegible] ADJUSTMENT AFFECTING [illegible]	-		-	-	-	
Total expenditure.	3,87,65		3,61,93	3,66,20	3,72,93	
Adjustments [illegible]						
Capital outlay charged to Revenue.	15,82		15,82	-		
Reserve for interest on capital expenditure.	12,84		4,69	4,58		
Reserve for non-recurring expenditure, Special grants.	34,33		5,00	50	50	* 4,50 on account of Vicerigal and Prince of Wales visit Allowances included under Contingencies.
Sinking Fund Reserve	-		2,72	4,75	53	
Total	62,99		28,23	9,83	1,03	
GROSS EXPENDITURE TO BE MET FROM REVENUE.	3,24,66		3,33,70	3,56,37	3,71,90	50 knots census included under 14 Scientific and Miscellaneous.
					3,72,43	@ Agreed as for 1920-21.
SURPLUS or DEFICIT-	-9,51		-7,31	-19,79	-22,13	
Grand Total.	3,15,15		3,26,39	3,36,58	3,49,77	

C. 147 65

"C" - 12.

Revision of Financial Settlement.

(Fl.D.No.358).

.....

12) Opinion of council OPINION OF THE COUNCIL.
dated 2nd December 1920

2/12/20.

Question discussed.
Secy to prepare a
note in the light of the
discussion & submit to
members.

CSR

Note by the Secy referred to
above submitted

Note by Secy is submitted for
perusal & approval

1st member
2nd member
3rd member

Seen & returned
with a note of
discussion

CSR
4/12/20

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G. R. S. 12]

General and Revenue Secretariat. | File.No. of 191

Serial No.

Revenue and Expenditure the Deficits likely to increase, and and the position will become in another 5 years more serious than can be imagined — The Exchange Question will not affect us much in future as might have hardly been made ahead to get on a Gold Basis in India & I propose to enforce the payment of Land Revenue in Rupees in India — The probabilities in the aspect are that with some heads the customs est & Revenue will be considerably exceeded but as against this, this also very likely that exp. in some depts also will not be restricted to the limit shown in the above note

The deficit actually forecast made is like roughly 14, 29 & 35 lacs, the total is 78 lacs in 3 years —

I should make bold to say therefore

(46)

NOTE—Contn. sheet.

GPB—70,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | File No. of 191

Serial No.

that we must bring all Contingencies into Consideration. Secondly I see a deficit of about 90 lacs. This can easily be wiped out in 3 or 4 years, when the reserves under repairs have been begun to pay handsomely as we hope they will. But mere hoping will not do. Some definite policy must be followed. Firstly to see that Revenue as estimated does not dwindle. Secondly to see the progress of development that new lines of Revenue come in not later than expected and in their proper measure. Any disappointment under either head will cause serious embarrassment. Thirdly there must be a strict control over all additional expenditure which can be passed only on the most urgent reasons of policy. which in any year should not exceed the limit put by the Council.

(4)

NOTE—Contn. sheet.

GPB—70,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | File No. | of 191

Serial No.

on Thursday last Beside Every Endeavour has been made to Enforce Economy in all Depts & reduce Exp[enditure] below Sanctioned Grants - where not possible Retrenchments are not easy & not [illegible] unless some Dept. Principle is followed, such as [illegible] [illegible] [illegible]

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 191

Serial No.

which may be due to many
causes in addition
to the two example L Rev. -
Bad cold work Delay in drilling
& land empirits - Penalty
type tracts by date receipts.
Accidental Wards - refect
to store limits recently
Revisions - reflect in developing
very thin revenue - all may
contribute to reduce the
growth trended from the
forecast. Similarly Fast Dept.
The Rev. have limited removed
by fuel & Remote agency
repairs & steady growth
in connection with the Iron
Scheme. If no effort made
there will be deterioration
Stamp Rev. has three safeguards
Depot measures. — Similarly
Iron Scheme has three matches
Jail Dept Index in Dept
Sadar & Jailers; Electric
Dept Railway — all these
three carefully watched
month by month & the heavy
growth keeping by Special
Staff

(49)

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 191

Serial No.

II New schemes relating to the production must first obtain a sanction to Irrigation Power Scheme 6th Electric installation &c. Railway There must be no expenditure that delays - are avoided Economy inflation of Cap & Rp. which will reflect by Education which may reduce the Earning - delay the returns funded against

III. Shortfall will all over Rev. of Rp is allowed in the Current Forecast. The reduce of Rp must in all cases be limited to the Scale as sanctioned & and no Economy should any further reduction be allowed. For this the Member in Ch the Fl. Secy. shd be made responsible

IV To enforce Economy will Pt & reduce Rp. Returns Source funds. I suggest below that this is possible

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NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. File No. of 191

Serial No.

as there is much shortage in many depts & much waste take the depty Secretary into confidence & ascertain where expenditure under Basic Heading should not exceed Rs 1000 per month. Similar report from financial year. We should estimate under these heads. — This would [redacted] saving of extravagance & substantial profit. Then we must pay heavy attention to save — wastage in many depts in many ways. There are possibilities of saving in the machine shop — Tools. Get from market. take the lead in making to effect all economy etc. The depts chiefs & heads may be formed with — Similar to possibilities & reduce basic expenses saving

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. File No. of 191

Serial No.

V. Retrenchments. The Finance Committee proposal affects upwards of 1 million more than 1 so. The Imperial Government reduce the Indian Contribution by half a million from the total by 1 million & less what by time to time to Indian Imperial & Provincial Expenditure from a Surplus.

Serious impairing efficiency.

VI. Additional Revenue. We need find additional revenue - by raising rates & taxes - by rate taxes &c. Such will reduce State debts & grants to local bodies - & all such economies. I beg specially Duty & Income have been stamped too long at the same rate the general taxpayer - Special rich water tax.

We can get another 2 to 3 lacs by raising rate of power - for Consumption in Bang. Purpose

NOTE—Contn. sheet.

raised rate of R. demand
for last 5 years in 3
cases by 4% & 1/2% in
villages - Resettlement must
allow 15 to 20 per
cent such that the surplus
left after Capitalising
the Fakir. Jaidad
has. S. of Jaidad
also of Railways. The
- and other sources
must. start to have
over the estimated receipts
I consider this within the
range of possibility but
requiring 5% extra.

I have indicated my
financial policy in
the above suggestions &
I entertain the hope that
for the next Current
not our financial
Epoch will be
treated - as not less than
5 years - we shall
therefore not have annual
discussions - I hope not

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 191

Serial No.

early the 90 lacs of deficit that is known recently to prevail there during the next 3 years. In which of the policy enunciated above is earned out will in actuals be reduced by so to be [illegible] a deficit of a crore in 3 years & nothing to be spared of this he have to deal with & real revenue (31 crores spent much must in hospitals by shame & hand & end not Chinese Stationery even if the surpluses are not more than 10 lacs a year & I believe they will be near 20 then the balances & [illegible] the net deficit can be easily met by 2 3 years savings.

With Retrenchment Industry Reforms & Economy - I think the net deficit practically be reduced to a negligible amount

NOTE—Contn. sheet.

Under existing Charges

C. 147

R. S. III-2]

General and Revenue Secretariat. | File No. | of 191

Serial No.

I have read the above [illegible] & I think we should also [illegible] all [illegible] [illegible] by [illegible] the [illegible] revenue [illegible] & [illegible] heating [illegible] [illegible] heating [illegible]

5.12.20

I realise [illegible] that the statement of our [illegible] has made out in C [illegible] independently that the Resident with a strong plea for urgent [illegible] relating to the [illegible] and the Cus Station [illegible]

1.12.20

2nd November

6/12/20

3212-1314
7.12.20.

Secy. I generally share the views expressed by the Finance Member in his note above.

9.12.20

13/12

NOTE—Contn. sheet.

(1 B)

FIRST MEMBER'S NOTE ON THE FINANCIAL FORECAST FOR THE TRIENNIUM ~~ENDING~~ BEGINNING WITH 1920-21.

.....

Dated 6th December 1920.

The above is a fair representation of the discussions at the last Council meeting. The inevitable deficit is large enough and it has to be considered what steps are now necessary to bring about in a few years the requisite equilibrium in our finances. It must be confessed that unless some definite policy is laid down, both as regards Revenue and Expenditure, the deficit is likely to increase and the position will become in another five years more serious than can be imagined. The Exchange condition will not affect us much in future as arrangements have partly been made already to get our sterling revenue in India and I propose to enforce the payment of sandal oil revenue also in rupees in India. The probabilities in other respects are that under some heads, the cautious estimate of revenue will be considerably exceeded but as against this, it is also very likely that expenditure in some departments also will not be restricted to the limit shown in the above note.

If the deficit according to forecast made is to be roughly 14, 29 and 35 lakhs, the total is 78 lakhs in three years. I should make bold to say therefore, that we must, taking all contingencies into consideration, face a deficit of about 90 lakhs. This can easily be wiped out in three or four years, when the revenues under Re-productive Works begin to pay handsomely as we hope they will. But mere hoping will not do at present - some definite policy must be followed firstly, to see that revenues as estimated do not swindle; secondly, to so arrange the programme of development that new items of revenue come in not later than expected and in their proper measure. Any disappointment under either head will cause

(56)

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serious embarrassment. Thirdly, there must be a strict control over all additional expenditure which can be sanctioned only on the most urgent reasons of policy, and which, in my opinion, should not exceed the limit put by the Council on Thursday last Besides, every endeavour has to be made to enforce economy in all departments and reduce expenditure below sanctioned grants wherever possible.

Retrenchments are not easy and unless some definite principle is followed, it will all end in only idle talk.

Additional sources of Revenue are not easy to find and existing resources cannot be improved without sudden and unpopular measures of taxation. Still, I think it possible to find additional money under certain heads - over and above the very sanguine revenue estimates, that are given in the present triennial estimates.

The above are general suggestions which I will amplify a few details -

I. Estimated standard of revenues should be kept up to the mark. Reproducing Departments must watch the level and take timely measures to check deterioration which may be due to any laxity in administration. Take for example, Land Revenue. Bad collection work, delay in darkhasts and land assignments, opening up large tracts, e.g., Date Reserves, and Amrit Mahal Kavals, neglect to restore tanks necessitating remissions, neglect in developing irrigation revenue - all may contribute to reduce the growth provided for in the forecast. Similarly, the Forest Department.

The Revenue from timber removed by Government and private agency requires a steady growth in connection with the Iron Scheme. If no effort is made, there will be deterioration.

Stamp Revenue has to be safeguarded by proper measures.

Similarly, Iron Scheme has to be watched, ~~Judicial~~ Jail Deptt: Industries Department, Sandal Oil factories, Electrical Dept:

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Railways all have to be carefully watched month by month and the level of growth kept up by special effort.

II. New schemes relating to productive works must give return as soon as possible - Irregation, Iron Scheme, 6th Electric installation, Railways &c. These must be so administered that delays are avoided unnecessary inflation of capital expenditure restricted and all neglect of administration which may reduce the earnings -or ~~delay~~ delay the returns guarded against.

III. Strict control over all new items of expenditure as allowed in the Councils forecast. The advance of expenditure must in all strictness be limited to the scale now provided for and under no circumstances should any further advance be allowed. For this the Member in charge and the Financial Secretary should be made responsible.

IV. To enforce economy in all departments and reduce expenditure below sanctioned grants. I sincerely believe that this is possible as there is much extravagence in many departments and much waste. Take the department of Stationary and also contingent charges alone. Take also expenditure under Dasara and Birthday., entertainment of State Guests. I think having regard to our financial position, we should curtail under these heads. It is no use showing off as prosperous and entertaining lavishly when we want every penny that we can save - to reduce our minus debit in running the ordinary administration. There are possibilities of savings in other directions also and unless Government from the top take the lead, it is not easy to get results in the Districts. All unnecessary establishments, special departments and temporary hands may be dispensed with. I think it is also possible to retrench besides enforcing economy.

V. RETRENCHMENTS. The Finance Committee proposals after all, if approved, will not give more than Rs.1,50,000. My sincere conviction is that we can reduce our budget expenditure on the total by about 6 lakhs without seriously impairing

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efficiency. I venture to embody my views in a separate confidential note put in a confidential cover.

VI. ADDITIONAL REVENUE. We should find additional Revenue by raising rates and taxes, e.g., water tax, etc., which will reduce State debits and grants to local bodies for all such advantages. They, specially in Mysore and Bangalore, have been spoon-fed too long at the expense of the general tax-payer specially under water-tax.

We can get another 2 to 3 lakhs by raising rates of power for consumption in Bangalore and Mysore. We should raise the Land Revenue demand by at least 5 lakhs in three years, exg., by special effort in re-settling. Re-settled rates must be at least 15 to 20 per cent and necessary instructions should be given to the Settlement officers confidentially. Stamps, Forest, Jails, Industries, Sandal Oil factories, Irrigation and Railways should give in addition in increase in Land Revenue, about 10 lakhs over the estimated forecast. I consider this within the range of possibility but requiring special exertion.

I have indicated roughly a financial policy in the above suggestions and I entertain the hope that if it is rapidly carried out, our financial equilibrium will be restored in not less than 5 years and we shall thenceforward have annual surpluses to wipe out easily the 90 lakhs of deficit that we have according to present estimate, to face during the next three years; but which, if the policy enunciated above is carried out, will in actuals be reduced by 50 per cent. After all, a difference of half a crore in three years in nothing to be afraid of when we have to deal with a total revenue of nearly 3½ crores which must, as past experience has shown, expand and not remain stationary. Even if the surpluses are not more than 10 lakhs a year and I believe they will be near 20 when the balance is restored, the net deficit can be easily met by 2 or 3 years' savings. With retrenchment in point of revenue position and economy under existing sanctioned charges, I think

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the net deficit will practically be reduced to a negligible amount.

I have not in the above, touched on our ~~Cauvery~~ Capital Programme and I think we should after completing all works now in progress try and get the utmost revenue from them and get a breathing time before starting new ventures.

I venture to suggest that the statement of our finances as now made out in Council may be confidentially sent to the Resident with a strong plea for urgent orders relating to the Subsidy and the C & M Station surplus.

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6.12.40

9

10

STRICTLY CONFIDENTIAL. 81

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SUGGESTIONS FOR RETRENCHMENT -

(Figures approximate).

I. General Administration.

Staff & House-hold of His Highness	38,000
Dewan & Councillors.	30,000
P.W.D. Establishment.	1,00,000
Personal Asstts: to Dy. Commrs: & other establishments.	18,000
District Excise Officers & their staff.	40,000
Game Preserves & other Forest staff.	20,000
Economic Conference.	50,000
Grants for Mysore & Bangalore.	1,00,000

Army.

The ordinary expenditure is very high. A maximum limit should be fixed for military charges and savings, if effected, to the extent of	1,00,000
Genl. & Rev. Scrtt: and Probationers Scheme.	25,000
Menial establishments	25,000
Industries & Commerce Department.	8,000
Sub Divisions.	15,000
Railway permanent establishments.	21,000
Total....	5,90,000

Or roughly 6 lakhs.

6/12

14) Resolution of Council dated 29th December 1920. 82

The Financial Forecast for the triennium beginning with 1920-21.

(As agreed to in Council)

The statement submitted by the Financial Secretary was considered by the Council. The estimates of revenue under all the heads except (1) Assigned Tract Revenue and (2) Railways - Net receipts, were considered reasonable. The following alterations were ordered to be made in the estimates under the latter two heads:-

(1) Reduction of the Assigned Tract Revenue from 7 lakhs to 5 lakhs in each year, and

(2) Increase of the annual growth of revenue from Railways from 1½ lakhs to 2 lakhs.

Taking the expenditure in the triennium at the standard of the budget for the current year and the revenue according to the forecast as revised above, the position will be as under:-

	1920-21.	1921-22.	1922-23.
Deficit.	9.31	21.29	23.13

It was considered that it was impossible to maintain the standard of expenditure at a stationery level for three years and that at least the following increases were quite necessary.

	1920-21.	1921-22.	1922-23.	Remarks.
Excise -	50	50	50	For the second instalment of reorganization.
Medical -	100	200	300	For the expansion of Medical Relief at the rate of 1 lakh per annum.
Agriculture & Sericulture.	50	100	150	For every necessary improvements & developments at ½ lakh each year.
Education.	200	400	600	For giving effect to some of the most urgent measures proposed in the Edn. Memorandum at 2 lakhs per annum.
Total	400	750	1100	

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A condition of deficit in the triennium is inevitable, and it is chiefly due to the following causes.

(1) The serious reduction in the purchasing power of money and the consequent substantial addition to expenditure on salaries of low-paid servants of all departments and on the purchase of materials of various kinds required for the different departments. The high prices allowance sanctioned for officers on pay not exceeding Rs. 100, alone costs about about 25 lakhs.

(2) The rise in exchange and the consequent reduction in the silver yield of sterling revenues.

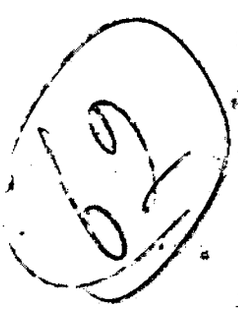
(3) The reduction in the revenue of the Assigned Tract from about 10 lakhs to about Rs. 5 lakhs.

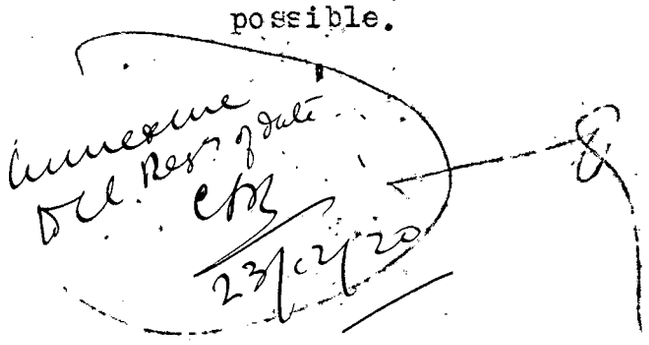
As regards the financial policy to be followed there are two courses open, either

(1) to allow the deficit as calculated above to remain until the time when the returns from the large investments in productive works are realized and applied for reducing the deficit, or

(2) to adopt immediate measures for curtailing expenditure for balancing the budget.

The adoption of the second alternative is undesirable as it means a serious set back to administration. The first alternative is the only course open but steps have to be taken to increase the revenue from sources like Land Revenue which are capable of improvement and for effecting all possible economies in expenditure with a view to reduce the deficit as far as possible.





xtract from the Proceedings of the 551st *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 23rd December 1920 *19XX*.

234. Subject. - Clause xii of the schedule.

Revision of Financial Settlement.

OPINION OF THE COUNCIL.

The Financial Forecast for the Triennium beginning with 1920-21 as agreed to in Council and as given in the appended memorandum of the Financial Secretary explaining the details may be adopted.

(Signed) M. Kantaraj Urs,
Dewan of Mysore

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"EXTRACT"

C S Balasundaram Jr
Chief Secretary to Government.

WD 433—GPB—1,000—1-9-26

[II-2]

C. 147

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General and Revenue Secretariat.

C. 7. File No. of 19

*23. As soon as circulation is complete and the opinion of the Council is recorded, the file will be forwarded to the Secretary in the Department concerned for transmission if need be to the Financial Secretary under Standing Orders and for submission to the Dewan or Member in charge.

Extract from the Proceedings of the Council is put up.

Forwarded with compliments to the Secretary to Government Financial Dept. under *Rule 23 of the Subsidiary Rules of Council Business.

By Order,

Chief Secretary to Government. 20/1/21

DEWAN'S OFFICE.
Recd. on JAN 20 1921
Reg. No. 4840

I request reference to the note placed below
Dewan
19-1-21

NOTE.—Cotn. Sheet.

WD—307—GPB—1,000—18-8-19

(5) Financial Secretary's note dated 19th January 1921 under para 9 of G.O.M.-G. 175 72-8 / G.M. 676-17-1 dated 22-6-18.

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Financial policy proposed in -- Council Resolution.

The resolution is obviously intended to be a declaration of financial policy in the triennium and I take it that the broad features of such policy are the following:

(1) A condition of annual deficits in the triennium commencing with the current year is assumed to be an inevitable necessity. It is held to be impossible to maintain the standard of expenditure at its present - level and it is therefore proposed to allow it to grow to the extent of at least 4 lakhs in the first year, 7½ lakhs in the second ~~x~~ year and 11 lakhs in the third year, increasing the deficit in 1922-23 to about --- 34 lakhs.

(2) Such annual deficits are proposed to be continued until the full return from the large investments made on productive works is realised and applied for reducing and removing them.

Importance of the policy.

2. The adoption of this policy is, I think, fraught with serious consequences and the deepest consideration is necessary before it is acted upon. It is impossible to overestimate the importance or the gravity of the step proposed to be taken and I consider it therefore my duty to explain, as plainly as I can, the financial situation now and in the near future so that the position may be properly appreciated before final orders are passed.

Deficit began in 1918.

3. The deficit condition of our finances really began in 1918-19 and it was due to the sanctioning of expenditure irrespective of revenues and to the wrong application of the system of departmental settlement, which was brought into force from the previous year. The essential features of the System are two:

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(1) limiting of expenditure to available revenues by means of a well thought out programme of distribution of funds among the Spending Departments, and (2) allowing freedom to such departments in utilising the funds allotted to them, without the limitation imposed by the previously existing rule of lapses. Both these features will make for financial orderliness and administrative efficiency if the System is properly worked, but the merit of the system was converted into a defect by the wrong use made of it. The annual recurring expenditure of no department can, according to the System, exceed its share of the annual revenues including the growth of revenue, if any, allotted to it; but this limit has been permitted to be exceeded ~~in most cases~~ on the strength of unspent allotments of a previous year held at the disposal of Departments or even without any balance. In my General Reviews on Budget Estimates written as Comptroller, I repeatedly pointed out (vide my notes dated 26th March 1918 and 5th March 1919) the risk of ~~xxxx~~ allowing such limit to be exceeded, but my representations did not receive any attention. The excesses, which it was the object of the System to effectively prevent, were permitted and the following figures will show what I mean:

T. U.

(In thousands of rupees)

	Year	Share of revenue.	Expre.	Saved	Overspent
Direct Demands on Revenue	1917-18	39,81	36,42	3,39	..
	1918-19	35,68	39,44	..	3,76
	1919-20	39,48	46,46	..	6,98
	1920-21	39,21	50,45	..	11,24
Staff & Household of H.H. and Palace Civil Works.	1917-18	4,32	3,98	34	..
	1918-19	3,52	6,05	..	2,53
	1919-20	3,50	6,59	..	3,09
	1920-21	3,63	9,38	..	5,75
Civil Administration	1917-18	29,67	28,57	1,10	..
	1918-19	29,04	30,22	..	1,18
	1919-20	29,05	35,66	..	6,61
	1920-21	28,96	40,15	..	11,19
Protection & Army	1917-18	45,34	41,93	3,41	..
	1918-19	42,65	50,83	..	8,18
	1919-20	43,01	60,91	..	17,90
	1920-21	43,38	64,47	..	21,09

Contd.

Contd.

	Year	Share of revenue.	Expre.	Saved.	Overspent.
Public Works	1917-18.	31,48	28,26	3,22	..
	1918-19	29,68	35,33	..	5,65
	1919-20	29,06	33,91	..	4,85
	1920-21	29,24	32,68	..	3,44
Moral & Material Development	1917-18	52,64	39,24	13,40	..
	1918-19	45,02	51,86	..	6,84
	1919-20	46,29	52,58	..	6,29
	1920-21	45,53	64,50	..	18,97
Local Self-Government	1917-18	10,25	8,74	1,51	..
	1918-19	10,25	6,27	3,98	..
	1919-20	10,25	6,50	3,75	..
	1920-21	..	7,87	..	7,87

The recurring expenditure (col.4) should not exceed the allotted share of revenue (col.3) and after the annnual standard of recurring expenditure reaches the level of annual resources assigned to a group of Departments, its past savings, ~~x~~ if any, can ~~only~~ be used only for non-recurring charges. It will be seen from the above statement that this fundamental rule has been infringed and tha departments have been permitted to increase their standard of annual expenditure beyond their share of annual revenues.

Financial position in five years from 1916-17.

4. The following statement shows the financial position on the whole, in the five years from 1916-17:

(In thousands of rupees),

	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
Total Revenues ..	299,06	315,25	294,24	313,12	315,25
Actual Expenditure..	244,36	256,54	289,29	315,37	344,26 *
Contribution to Reserves--					
Mining Rev.Cap.Fund	9,27	8,72	7,11	6,03	4,83
Sinking Fund ..	3,33	3,33	3,33	3,33	3,33
Famine ..	5,00	5,00	5,00	5,00	5,00
Total Contribution	17,60	17,05	15,44	14,36	13,16
Total Expenditure including Reserves	261,96	273,59	304,73	329,73	357,42
Surplus ..	37,10	41,66	..	..	..
Deficit ..	..	..	10,49	16,61	42,17

* As per Budget 1920-21 335,66
High prices allowance in excess of budget provision 5,00
Do since sanctioned .. 60
Potgi do 1,00

Continuous deficits from 1918-19.

5. I have included under Expenditure only three Reserves, viz., Famine Insurance, Mining Revenue --- Capitalization and Sinking Fund. All these must form the first charge upon the annual revenues, the first fo for saving the lives of the people, should unfortunatel y a famine occur, the second for ensuring stability of administration, as the Gold Mines will cease to pay sooner or later, and the third for guaranteeing the dis charge of loans borrowed. It will be seen from the abo above statement that taking the actual expenditure and only the contributions to these absolutely essential reserves and excluding all other reserves contemplated in the Financial Settlement Scheme, the position is one of a deficit in every year from 1918-19.

Course of Revenue and Expenditure in five years.

6. The figures given in the above statement also show the course of revenue and of expenditure and the striking features are the practically stationary state of total revenue and the rapidly increasing character of the standard of expenditure. In the period of five years for which the above figures are given, it will be seen that while revenue ranged from Rs.299 lakhs to Rs.315 lakhs, the actual expenditure excluding reserves expanded from Rs.244 lakhs to 344 lakhs.

Large deficit in Budget for 1919-20 not shown as such.

7. Even after making allowance for amounts available to the credit of departments and reserves out of past savings the position in 1919-20 was one of a deficit of over 15 lakhs when the Budget for that year was framed. But the real deficit was concealed as expenditure on the grant of high prices allowance, etc. estimated at about 14½ lakhs which was properly chargeable to the revenues of the year, was proposed to be met fro m the Famine Insurance Fund. This Fund is intended for saving the lives of the people in the event of a Famine and it cannot be permitted to be diverted for meeting

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an item of expenditure on ordinary administration and frittered away in two or three years. This was pointed out in dealing with the Budget for the current year and the charges will, according to the orders passed, be taken against the revenues of the year.

Reports regarding deficits.

8. That deficits would result by permitting departments to spend more than there are revenues to allot to them, I have been pointing out from as far back as March 1918. An elaborate Financial Review and Forecast was published in September 1919 and it showed that the position was one of an annual deficit of about 16 lakhs. This position became worse when the Exchange rate rose above 1s.10d. on which the calculations in the Review were based. The effect of the higher rate of exchange was brought to --- notice in my note dated 15th August 1919. Again in my proposals dated 16th February 1920 about the revision of the terms of the Financial Settlement, I drew pointed attention to the state of deficit caused by the reduction in revenue and increased expenditure due to the grant of high prices allowance. It will be seen from these facts that a condition of deficits is no surprise now sprung on us but it has been there since 1918-19.

Total deficits in five years.

9. The financial position has been continuously --- unsound from 1918-19 and in the three years ending with the current year, the total deficit calculated with reference to the annual revenues and the annual expenditure amounts to 69.27 lakhs, or to 73.27 lakhs if another 4 lakhs of additional expenditure should be permitted according to the Council resolution. The Council Resolutions proposes to permit increased deficits during the next two years as well, amounting to Rs.76.98 lakhs, after taking into account the anticipated growth of about 20 lakhs in the two years.

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Unavoidable additional expenditure not provided for in the Forecast.

10. All the items of growth of revenue on which we can count have been included in the above calculations. The Eependiture forecast however, does not take into account many items which are likley to become irresistible. There are some demands of an insistent character which will have to be met sooner or later. There is a very active agitation in British India on the part of retired officers for enhancement of their pensions to compensate them for dearness of living and the Governme of India appear to have sanctioned some relief to them. If pensioners in British India are shown such considerat on it will be impossible to resist a similar demand by the Mysore service pensioners. There is a proposal to compensate the sowars for dearness of grass and to abolish the silledari system altogether. The Medical Department is finding it very difficult to get Sub Assistant Surgeons and there is a strong demand for increasing their rates of pay. As the scales of pay of the superior services have been improved in British India, the correspond ing services here are also clamouring for some reasonable addition to their emoluments. One instalment of liberalisation of leave rules has already been sanctioned and another will have to be considered soon. The Acting and Travelling Allowance rules and the Pension Rules have either been altered or will soon be altered by the Govern ment of India. Our rules are based on theirs and sooner or later we have to follow them. All these changes will entail additional cost which it is not possible to avoid. Besides these demands some increases are incidental to administration in most departments and there must be some margin for meeting them. The expectation of the Council Resolution that the deficit in 1922-23 can be limited to 34 lakhs cannot thus be realised. As a matter of fact, new expenditure of 1¾ lakhs per annum has since been --- sanctioned in addition on account of potgi and high pri-

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prices allowances. Apart from new items of expenditure which may become inevitable, the present level of expenditure on existing services and activities is bound to increase even simply as the result of the largely increased and still increasing level of wages and prices.

Any addition on account of the various demands mentioned above, will of course increase the total deficit in 1922-23 . A condition of increasing deficits continuously during a period of five years which aggregate 150.25 lakhs in that period and an annual maximum deficit of 36.76 lakhs in the last year of the quinquennium even after all growth of revenue has been taken into account, with no prospect of any assured means of its being wiped out or substantially reduced from the sixth year cannot but cause the gravest anxiety.

Inelastic nature of revenues.

11. There is one feature of our finances which should never be overlooked. We have no elastic sources of revenue and the adjustment of income to the level of expenditure required in any year is not a resource which is open to us. We have no taxes like Customs, the rates of which can be raised or lowered according to the varying demands of the administration. The solitary item of such revenue we have, is the Income-tax, which was only very recently imposed and it is not advisable to raise the rates of its levy in the near future and even if the rates are increased the additional yield is likely to be very poor as the taxable income of the people is, after all, small and the rate of its annual growth is not also large. In view of the inelastic character of our revenues and of the growing tendency of public expenditure , we should always have some margin of revenue for meeting new and necessary charges and never allow expenditure to grow faster than revenue.

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Justification urged for proposed policy considered.

12. I shall now consider the justification urged for the policy proposed in the Council Resolution. It is assumed that a condition of deficit in the triennium is an inevitable necessity and that it is also necessary to permit the deficit to grow. The implication of the assumption would be that the existing situation does not call for any remedy, whatever, whether by way of improvement of revenues or of reduction of expenditure, or by the adoption of both these measures. How a condition of chronic deficits of the magnitude mentioned above, is considered as calling for no immediate action for mending it, it is very difficult to understand. Deficits can never be matter for no anxiety, but when they have attained the proportions pointed out above, and when they are also continuous and increasing with no certain means of wiping them out, the position is grave enough for immediate action. If a condition of deficit is taken to be a necessity and the deficit itself is permitted to grow, the inevitable inference is that the existing standard of expenditure does not admit of reduction and that there is no possibility of improving the sources of revenue. If this is really the position, the question naturally arises where is the justification for continuing the present level of expenditure or for increasing it. The reason urged for the proposed policy is that a contraction of expenditure will result in a set back to administration. But it is a fundamental principle of public finance that the cost of administration can never exceed the revenue which can be raised for meeting it, or, in other words, there can only be as much administration as there is money to finance it. If expansion of public expenditure is a sign of healthy administration, a corresponding increase of public revenue is an imperative condition precedent to make such healthy administration possible. Administration comprehends both raising of revenues and expending them

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and it is unsound not only financially but also otherwise to measure its progressive character only by the expansion of expenditure.

Policy of Budget deficits and of meeting them from loans considered.

13. The following extract reproduces the unanimous recommendation of the Committee of Financial Experts which recently met at Brussels under the auspices of the League of Nations:

(From the Bankers' Magazine, November 1920, Pages 576 and 577)

" IMPERATIVE REQUIREMENTS.

The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin; to escape from that path no sacrifice is too great. It is therefore imperative that every Government should, as the first social and financial reform on which others depend:

(a) Restrict its ordinary expenditure, including the service of the debt to such an amount as can be covered by its ordinary revenue,

** ** **

(c) Abandon all unproductive extraordinary expenditure,

(d) Restrict even productive extraordinary expenditure to the lowest possible amount."

"TAXATION TO MEET DEFICITS.

In so far as after every effort has been made, it is impossible to cut down expenditure within the limits of existing revenue, fresh taxation must be imposed to meet the deficit and this process must be ruthlessly continued until the revenue is at least sufficient to meet the full amount of the recurrent ordinary expenditure.

"If the above principles are accepted and applied loans will not be required for recurrent ordinary expenditure; borrowing for that purpose must cease."

When Governments whose finances have been so badly disorganized by War expenditure are advised to immediately balance their budgets and not allow loan funds to be

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employed for meeting the cost of current requirements, there is absolutely no justification for permitting deficits for purposes of ordinary administration.

Resort to borrowing for purposes ~~f~~ of ordinary administration is permissible only in the case of an unforeseen shortage in estimated revenue or of an unforeseen item of expenditure which will not admit of delay. The deficit which confronts us is not of the description due to either of these causes. The reduction of revenue that has occurred is not a temporary shortage due to an unforeseen factor which has delayed the realisation of estimated revenue but a permanent decline in the ~~xxx~~ level of resources. The growth of expenditure again, is not due to the need for meeting any items of temporary outlay special to a particular year not foreseen when the budget of the year is framed and also not brooking delay. The increase in the level of expenditure is permanent and additional recurring expenditure cannot be met from temporary borrowings permissible in the case of casual deficits due to deferred revenue or to an urgent item of expenditure, the finance for which cannot immediately be provided from revenue, but which can be provided from realizable revenue shortly after payment.

Bastable Page 670.

As regards the policy of resorting to borrowing for meeting the cost of ordinary administration this is what a very high authority on Public Finance states:

"Non-economic expenditure is primarily to be met out of income and unless it can be so dealt with, ought not be incurred. National culture, education and the promotion of social progress are all most desirable but their promotion is not so urgently required as to need the use of borrowing by public powers."

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Assumptions that revenue cannot be improved and that expre.cannot be reduced implied by proposed policy considered.

14. I do not think it can be assumed that there are no items of revenue capable of improvement or that there are no items of expenditure admitting of reduction. There must be many items of expenditure of a more or less optional or avoidable or deferrable character and they must wait until funds

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funds can be found for them. As for revenues some of the certainly admit of considerable enhancement; for instance I understand that the resettlement of as many as 30 taluk i.e., about half the State, is in arrears and that some of them have been in that condition for 10 years and more The price of agricultural produce has gone up very high and the delay in ~~the~~ resettlment is depriving the Public Treasury of revenue which it so badly wants and which the agriculturists can so easily pay.

Effects of successive deficits on borrowing.

15. The effect upon our financial credit which will be produced by continued deficits when our capital commitments make it obligatory to resort to public borrowing is a relevant point to be considered in this connection. Wit recurring deficits how shall we meet the interest charges and sinking fund charges of the loan to be raised by us? Would not the investing public desire to be assured of th financial capacity of the State to meet its obligations in respect of such charges? The Government of India have already raised this objection in regard to the loan raise by us this year but it is not possible to give a satisfactory answer to it with deficit budgets. With recurring and increasing deficits , our position in respect to borrowing will become more and more indefensible and th public and the Government of India will have just cause t complain that a policy of public borrowing cannot be pur sued by a State which cannot provide for the service of loans from its annual revenues.

How the deficits have been viewed by the Legislative Council and Representative Assembly.

16. The deficits in the last and current years have already evoked much adverse public criticism. Both the Legislative Council and the Representative Assembly have viewed them with great concern and requested Government to take measures for restoring equilibrium. The proposed policy of permitting the existing deficits to continue and also of increasing them is bound to call forth very

hostile ~~xxxxxxx~~ hostile

hostile criticism and it will be extremely difficult to defend such policy.

Summary of consequences of proposed policy.

17. I shall now summarise the effects of the policy proposed to be adopted. A policy of deficit financiering would lead to borrowing for meeting the cost of ordinary administration. The payment of interest upon the loans raised will have to be made from borrowed funds. There would be no means for ensuring the repayment of loans contracted as no sinking fund can be formed when there is no surplus to be devoted to it. We cannot raise a loan for paying the annual contributions to the Sinking fund as it is futile to borrow with one hand and pay back with the other. With recurring and increasing deficits the sinking fund contributions must be suspended and such suspension is bound to be criticised by the public and it will also adversely affect our further --- borrowing. We raised a loan of 140 lakhs this year and the policy proposed will leave no means for forming a Sinking Fund even for this loan. The loan is redeemable on a particular date and its discharge should be guaranteed by Sinking Fund contributions from annual revenues made with religious regularity. It is impossible to --- defend abandon the policy of abandoning the Sinking Fund as no expenditure on any service however useful can claim to have precedence over the service of debt. We have been following a policy of setting ~~xixx~~ aside annually a sum of Rs.5 lakhs as a Famine Insurance Fund with a view to be ever prepared with liquid resources of sufficient magnitude for saving the lives of the people in the event of there being a famine. This policy has been adopted by the Government of India also and it has been reaffirmed in the financial arrangements made according to the Reform Scheme

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Scheme which requires every provincial Government to compulsorily effect an annual saving equivalent to the contribution to be made to the Insurance Fund to be built up by it. If we permit annual deficits, it is impossible to make any more contribution to the Famine Insurance Fund. The suspension of such contribution will certainly not be received well by the public nor is it right to cease to add to the Fund. It has been decided after prolonged discussion that it is necessary to save 60% of the revenue from Gold Royalty with a view to build up another revenue-producing asset to take the place of the Mines when they cease to pay. If annual deficits are allowed, the contribution to the Mining Revenue Capitalization Fund must also go and it is highly inadvisable to abandon a measure introduced after great deliberation and intended for financial stability. A fund called the Industrial Development Fund has been ordered to be formed from annual contributions of a lakh and a half for the purpose of undertaking experiments in the interests of industrial development. If an annual surplus to the extent of a lakh and a half is not available, how is this fund to be given up, are all experimental measures to be abandoned ? It has been arranged according to the financial settlement to save a sum of Rs.3½ lakhs annually for meeting irregularly occurring extraordinary expenditure like that on the Viceroy's and Royal visits. With a deficit this special reserve will have to go and there would be no means of meeting such expenditure.

Contribution to financial reserves cannot be met from past surpluses.

18. It is true that past surpluses have enabled us to build up net assets of about six crores of rupees and it may perhaps be argued that the demands on account of the various reserves may be met from such surpluses. This view cannot be maintained as the objects of the different reserves will be completely frustrated if the method of paper adjustment is adopted for building up the funds.

For instance, the Mining Revenue Capitalization Fund is intended to form a new asset for earning additional revenue. The substitution of an odd asset, the revenue from which is already being spent will not answer the purpose. The Famine Insurance Fund should be in cash or in a form convertible -- into cash at a moment's notice, for providing for the many demands to be met on the occasion of a Famine and the assets built out of past surpluses which are mostly in the form of productive works like railways and the Cauvery Power Scheme can neither be sold nor pledged for obtaining the cash reqd. The Industrial Development Fund and the Special Reserve are inteded for meeting cash outlay and their requirements cannot be met from assets in the form of machinery, rails and rolling stock or brick and mortar into which the past surpluses have been mostly converted.

Financial position in last year of period of surpluses compared with that in last year, for which policy is now proposed.

19. For a long number of years upto 1917-18, our position was one of large annual surpluses and there was accordingly ample margin for growth of expenditure. It is necessary to realise how radically the situation has since altered for the worse and to bring out the deterioration in the position I append a statement in which I compare the actuals for 1917-18, the last year of the period of surpluses, with those for the year 1922-23, the last year of the trieenium under consideration. I request particular attention to this statement as it shows very clearly the past and the proposed condition of finances. In the period of 5 years, the growth of departmental expenditure will be 108 lakhs against a growth of revenue of 33 lakhs. How rapidly the standard of expenditure is being increased quite irrespective of the growth of revenue which alone can warrant addition to expenditure is, I think evident from these figures which represent hard facts. The share of the different heads in the phenominal and embarrassing growth of expenditure contributed by the different heads is indicated in the statement. I think this comparative statement will convince anyone however sceptical how seriously unsafe, the position has become.

The increase of about 108 lakhs is the result of the utilization of the surplus of 26 lakhs, of the complete ---- abandonment of all the financial reserves amounting to about

	1917-18.	1922-23.	Difference (in lakhs)
MORAL & MATERIAL DEVELOPMENT.			
XX. Economic Conference ..	..	1	..
XXA. Education ..	2,41	1,56	- 1
XXI. Agriculture ..	73	90	..
XXII. Industries & Commerce.	10	3	..
	3,24	2,50	- 1
XXIII. Army	33	35	..
XXIV. Railways ..	14,28	22,75	8
XXV. Krishnarajasagara ..	3,73	3,08	- 1
XXVI. Cauvery Power Scheme.	14,07	17,90	4
XXVIII Sandal Oil Factory ..	15,24	1,00	-14
XXVIII. Kolar Gold Fields ..	23	50	..
Industrial Works ..	..	53	..
Iron Works ..	..	3,00	3
TOTAL REVENUE ..	3,15,25	3,48,77	33

	1917-18.	1922-23.	Increase. (in lakhs)	Remarks.
MORAL & MATERIAL DEVELOPMENT.				
25. Economic Conference ..	2,36	2,00	..	
26. Education ..	28,79	52,00(d)	23	(d) Includes 6,00 for expansion of education as per Edn.Memorandum.
27. Agriculture ..	4,23	9,00(e)	5	
28. Industries & Commerce..	3,01	4,50	1½	
29. Co-operative Societies.	85	1,16		
High Prices Allce. ..	..	5,44	5½	(e) Includes 1,50 for improvement of Agriculture & Sericulture.
	39,24	74,10	35	
30. Grants for Pub.Impts ..	8,74	7,75	- 1	
High Prices Allce ..	..	12	..	
	8.74	7,87	- 1	
ARMY & DEFENCE.				
31. A r m y ..	15,10	20,46	5½	
32. Subsidy ..	35,00	35,00	..	
High Prices allce ..	..	2,10	2	
	50,10	57,56	7½	
33. Famine Insurance ..	5,00	5,00	..	
35, Miscel.Railway Expre ..	1,43	21	- 1	
36. Misc.Electric Expre ..	..	10	..	
Special Reserve for non-recurring expenditure	5,52	3,50	- 2	
High Prices Allowance.. (Productive Works)	..	86	1	
Total Expenditure ..	289,11	397,25	108	
S u r p l u s ..	26,14	..	..	
D e f i c i t ..	..	48,48	..	
GRAND TOTAL ..	315,25	348,77	..	

Deduct --RESERVES INCLUDED UNDER EXPENDITURE.--		
Mining Revenue Capitalization Fund ..	8,72	6,55
Sinking Fund for loans.	3,33	6,79
Interest Reserve ..	5,00	5,00
Irrigation Reserve ..	5,00	5,00
Famine Reserve ..	5,00	5,00
Special Reserve ..	5,52	3,50
	32,57	31,84
Net Surplus ..	58,71	..
Net Deficit ..	..	16,64

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Rs.32 lakhs, of the absorption of the whole growth of revenue of 33 lakhs and also of the creation of a deficit of 17 lakhs. The surrender of all reserves including such obligatory provisions like the Famine Insurance and Loan Sinking Fund and the creation of a large annual deficit to be covered by borrowing are the most serious consequences of the --- proposed policy.

Expectation of future additional revenue from productive works considered.

20. I shall now consider if there is any foundation for the expectation of the proposed policy that the deficit permitted by it will be made good from the future revenue of productive works. I understand that taking the Iron works and the connected ~~x~~ tramways, the capital cost ~~is estimated~~ will stand at about Rs. ~~150~~ 130 lakhs during the next 4 or 5 years and that in the same period the total investment is expected to pay about 6 per cent., i.e., about 8 lakhs per annum. Of this, 3 lakhs have already been included in the growth of revenue taken in the Forecast and the balance that may be expected will be about 5 lakhs. The other large investment is on the Krishnarajasagara Works, the irrigational side of which --- practically remains undeveloped. This project has already cost us Rs.170 lakhs and the annual return from it is about 3 lakhs, i.e., less than 2 per cent. Whatever additional -- revenue from the Sixth Installation may be attributed to the Reservoir has been already included in the forecast as the full income from this Installation has been taken into account under the Electrical Department. I understand that it takes a very long number of years for big irrigational works to pay and there is accordingly no near prospect of the Reservoir yielding any large amount to ease the financial situation. An annual growth Re.1 lakh from Land Revenue has been taken in the Forecast and in this growth is included income expected from the irrigational use made of water in the Reservoir. Our railways worked by the Company and the lines recently restored by them to us are paying as much as they can be --- expected to pay and it is not safe to expect any large addi

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addition to the revenue from these lines, especially as during the next few years, the expenditure on the revenue account of the lines will be heavy owing to the need for repairs and renewals deferred during the war. The lines worked by us will being in more revenue but this improvement has been taken into account as an annual growth of Rs.2 lakhs has already been included in the calculation. As for the electrical works, the full revenue from the Sixth Installation has, as stated above, been taken into account in the forecast and the improvement in the revenue of this department due to additional lighting and power installations in Bangalore and Mysore cities is not likely to be very large. Apart from these four works, there are no other big productive concerns which can give us any large additional revenue. It will be seen from what is stated above, that the only additional revenue that may be anticipated from productive concerns is about Rs.5 lakhs from the Iron works. The assumption that future revenue from investment on productive works will wipe out the deficits proposed to be permitted is not therefore warranted by the prospects of such investments.

Allowing present deficits anticipating future growth of ordinary revenue considered.

21. It may perhaps be argued that if the produtive works will not bring in enough revenue in the future for covering the proposed deficit there will be the growth of other items of revenue and that on the strength of such growth the proposed deficit may be permitted. I shall now examine this argument. What the annual growth of revenue from 1923-24 is likely to be, it is now not easy to forecast. If we may assume that revenue will continue to grow on the scale assumed for the triennium ending with 1922-23 and if we can also feel confident that an annual revenue of about Rs.5 lakhs in additionto Rs.3 lakhs already included in the calculation can be obtained from the Iron Works from 1923-24, it will take 6 or 7 years from 1923-24 for the growth of revenue to be adequate for wiping out the deficit reached in 1922-23 and that result can be attained only by not permit-

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permitting additional expenditure of even a single rupee during the whole of 6 or 7 years, an arrangement which is simply impossible in practice. If the growth of expenditure can be effectively prevented in that long period from 1923-24, it should be equally practicable even now. It is financially most unsound to assume that what, as a matter of fact, is found impossible now will become possible hereafter. Conditions affecting both revenue and expenditure are bound to vary very largely in the far future and prospective revenue can never be relied on for allowing an immediate increase in the present standard of permanent expenditure over the present level of revenue.

Future revenue required for future expenditure.

22. Apart from the above considerations, whatever additional revenue it may be possible to obtain in the future is certain to be required for meeting the needs of the administration at the time and it is unsound to anticipate such revenue and spend it now. If reduction in expenditure results in a set back to present administration, anticipatin future revenue and spending it before it is realised, is a handicap to future administration and it is not right --- either from the financial or the administrative point of view to provide for a present period of activity of administration at the cost of enforced stagnation of administrative activity for a long period, in the future. These considerations also lead to the same conclusion that expenditure --- should at no time exceed the revenue which is available then If it is an axiom of public finance that more money than is needed at any time for administration should not be raised, it is equally an axiom that less revenue than is required for meeting the expenditure held to be actually necessary at any time should not be considered sufficient, in the --- expectation of prospective revenue, the realization of which is necessarily subject to all the uncertainties incidental to all forecasts about the future. A recurring conditi

of deficits is as much to be avoided as that of surpluses

No windfalls expected. Improvements due to premium on gold and to decline in exchange temporary.

23. In the calculation of improvement of revenue, I have not taken into account any windfalls. I do not think there are any such large items of unforeseen revenue on ahich we can count. Any windfalls is, by its nature, a temporary resource and it cannot be a factor in the calculation of permanent revenues and of the permanent demands upon them. So long as gold continues to command a premium compared with its normal Mint parity and so long also as the rate of exchange is below 2 shillings, we shall get some additional revenue from Gold Royalty, from Electric power supplied to the Mines, and from the dale proceeds of sandal oil realised in sterling. The Government of India appear to be determined to maintain the exchange value of the rupee at 2s. after the present abnormal conditions cease to operate and only recently the Secretary of State stated in reply to a question put to him in Parliament that he would not reconsider the decision already given effect to in the form of legislation for stabilising the exchange value of the rupee at 2 shillings. If the Government of India succeed in their attempt, as they appear to be hopeful of doing, in establishing stability at 2s, and if the market oscillations are only in the neighbourhood of this rate, we can only expect to realise about Rs.10 for our sterling revenues and the premium on gold may also go and with it, the temporary additional revenue from Gold Royalty. The additional revenue from Royalty and from the lower rate of exchange obtained in the meantime can only be looked upon as of the nature of a windfall, not available as a set off against a recurring deficit.

C.& M.Station surplus an uncertain element in Forecast.

24. The estimate of revenue anticipates an annual surplus of Rs.5 lakhs from the Civil & Military Station. The Government of India have reopened the question of our right to this revenue and it is not known how it will be

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be finally decided. In any case, the amount that we may expect from this source will continue to be uncertain as it will naturally depend upon how much will be saved annually by the authorities of the Civil & Military Station to be handed over to us, and the temptation to reduce the surplus must of course be assumed to be strong.

Conclusion and Suggestions.

25. I have carefully considered the subject in all its aspects and I have come to the following conclusion.

The existing deficit must be wiped out and it should under no circumstances, be permitted to grow.

It is absolutely necessary that immediate steps should be taken to effect all possible reductions in optional avoidable and deferrable items of expenditure. Departmental budgets require the closest scrutiny with the deliberate object of reducing their size by eliminating all possible items. It should be realised that reduction of expenditure is inevitable for financial stability, that the reduction should be as large as possible and that accordingly all departments should contribute their share to the reduction.

Such share may, if no other criterion of reduction is possible, be fixed at the addition which the grant of the high prices allowance has involved. When there is no surplus revenue for giving this allowance, it is only natural that the Departments should provide the amount required for its grant by reduction of their existing expenditure. An internal readjustment of each departmental budget is inevitable when additional departmental expenditure cannot otherwise be financed. In effecting such reduction, the Heads of Departments should take their full responsibility and economise to the extent required within a definite period, say in the next 2 months so that their budget estimates of expenditure for the next year may be well within their current year's grants providing for the high prices allowance as well.

Vigourous measures are urgently called for to increase the sources of revenue capable of improvement. The Land Revenue re-settlement operations are heavily in arrears. The rates of assessment are in many cases very low especially in regard to dry lands in some parts of the State and the large rise in the prices of agricultural produce has made the existing scale of land tax very light. Urgent measures are necessary to expedite resettlement operations and the revision of assessment should aim at obtaining a substantial addition to public revenues. If the revision of overdue settlements cannot go on expeditiously owing to the dilatory traditional procedure of the operation it is necessary to improvise some prompt means of resettlement. The number of taluks to be dealt with is very large, and the adoption of the existing procedure is bound to involve delay and the need for simplifying and quickening it is thus very great.

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The revenue from Stamps and Forests, are, I believe, capable of expansion and it is necessary to require the --- authorities concerned to take vigourous steps to show definite results.

Some use for the water in the Krishnarajasagara Reservoir has to be found as early as possible and the very proper return obtained from the/heavy capital outlay on it. In my note dated 5th September 1919, on the proposal to largely enhance the estimate for the Reservoir ~~on 5th September 1919~~, I pointed out the urgent need for making the investment pay its full return as early as possible and I do not know what orders have been passed on it. The work has been financed from borrowed funds and the loss on it is now a burden on the revenue --- account and has contributed to create the deficit now under consideration. Endeavours have also to be made for obtaining an appreciable revenue from the Vani Vilas Sagara.

It is necessary to investigate if the rates charged for electric power do not admit of enhancement in cases in which existing contracts have not guaranteed particular rates for definite periods. Even in cases in which the present contracts do not permit of increasing the rates, it is necessary to instruct the Electrical Department to raise them when the contracts are due for renewal.

It is also necessary to carefully examine whether all the revenue realizable from even existing sources is being actually realised and quite recently I happened to notice an instance in which an easily realisable additional revenue from such a source remained unnoticed for 16 years. I refer to the tariff for calculation of Excise duty on Cotton manufactures/~~of cotton excise duty~~ for the revision of ~~which~~ the tariff I have recently sent up a ~~proposal~~ note and the ~~revision~~ proposal will yield nearly one lakh of rupees per annum.

The rate of interest has gone up and the rates we charge on the different kinds of loan are low and I have lately made a proposal for revising them.

The dominating aim of the financial policy which the

situation

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situation demands now and in the near future is to remove the deficit by all possible means and to resume with the least delay possible, the annual contributions to the reserves, so essential to financial stability, ~~and~~ All other considerations should be subordinated to this imperative necessity. Such policy cannot however be carried out unless due weight and consideration are given to financial opinion.

In the circumstances explained above, I must state respectfully that I cannot agree to the financial policy proposed in the Council Resolution. I feel it my duty to emphatically express my opinion against the adoption of such policy. I have considered it necessary to note at length on all the important aspects of the proposed step so that ~~[illegible]~~ all the consequences of adopting the policy may be fully appreciated before the final decision is taken.

I beg that my representation may kindly be submitted for the gracious consideration of His Highness.

(Hold bring in the statement in the file

17) Diwan's Minute dated 7th February 1921.

Diwan

Mull 19.1.21

Before we submit this note to His Highness, I should like to place this before the Council for consideration. I enclose Mr. Low's last copy of his note to the members of Council as desired & I should like to have Saturday the 5th proximo. 12 noon for a special meeting of the Council to consider this note. Mr. Low will please be present when the matter

Is there any objection to send copies of this note to certain Finance Members confidentially? It will open their eyes to the financial state of things & will doubtless help them in framing their budgets for the next year, in the light of these observations

H. Low) 7.2.21

STATEMENT COMPARING THE ACTUALS FOR

Revenue.

	1917-18.	1922-23.	Difference (in lakhs)
PRINCIPAL HEADS			
I. Land Revenue ..	1,07,35	1,14,00	6
II. Forest ..	44,42	44,45	..
III. Excise ..	62,26	81,00	19
IV. Misc. Taxes ..	35	8,30	8
V. Stamps ..	12,35	16,52	4
VI. Registration ..	2,37	3,16	1
	2,29,11	2,67,63	38
VII. Assigned Tract ..	..	5,00	5
VIII. Mining Revenue ..	16,24	13,00	- 3
IX. Interest ..	13,58	7,60	- 6
CIVIL ADMINISTRATION			
X. Scientific & Miscel.	16	15	
XI. Pensions ..	19	15	
XII. Stationery & Printing	37	30	
XIIII Miscellaneous ..	1,64	1,32	
	2,36	1,92	
PROTECTION			
XIV. Courts of Law	43	49	
XV. J a i l s ..	10	2	
XVI. Police ..	6	6	
XVII. Medical ..	66	20	
XVIII. Sanitation ..	5	4	
	1,30	81	
PUBLIC WORKS.			
XIX. Civil Works ..	1,54	1,20	

Expenditure.

	1917-18.	1922-23.	Increase. (in lakhs.)	Remarks.
DIRECT DEMANDS.				
1. Land Revenue ..	20,41	23,96 (a)	4½	(a) Includes 1,00 on a/c of potg since sanctd.
2. Forest ..	10,62	13,98	3	
3. Excise ..	3,56	4,89(b)	1½	(b) Includes 50 on a/c of second instalment of reorganization
4. Stamps ..	77	91	..	
5. Registration ..	1,06	1,28	..	
6. High Prices Allce ..	..	7,13	7	
	36,42	52,15	16	
CHARGES AGAINST MINING REVENUE.				
6. Capitalization Fund	8,72	6,55	- 2	
7. Supervision ..	1,70	2,08	..	
High Prices allce ..	..	1	..	
	10,42	8,64	- 2	
INTEREST AND SINKING FUND.				
8. Sinking Fund ..	3,33	6,79	3½	
9. Interest on Debt ..	7,76	25,95	18	
10. Reserve ..	5,00	5,00	..	
	16,09	37,74	21½	
11. Palace ..	23,50	23,50	..	
CIVIL ADMINISTRATION.				
12. General Administration	11,24	13,11	2	
13. Muzrai ..	3,60	3,60	..	
14. Scientific & Miscel.	1,37	2,31	1	
15. Pensions ..	8,51	9,10	½	
16. Stationery & Printing	4,55	5,14	½	
17. Miscellaneous ..	1,16	1,42	½	
High Prices Allce ..	..	1,51	1½	
	30,43	36,19	6	
PROTECTION.				
18. Courts of Law ..	8,99	11,83	3	
19. J a i l s ..	1,03	1,64	½	
20. Police ..	10,27	13,26	3	
21. Medical ..	6,41	12,27(c)	6	(c) Includes 3,00 on a/c of expansio of medical relief.
22. Sanitation ..	1,26	1,25	..	
High Prices Allce ..	..	6,85	7	
	27,96	47,10	19½	
PUBLIC WORKS.				
23. Irrigation ..	11,67	13,65	2	
24. Civil Works ..	22,57	27,50	5	
High Prices allce ..	..	1,58	1½	
	34,24	42,73	8½	

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G. R. S. III-2

General and Revenue Secretariat.

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Serial No.

17) Financial Secretary's note dated 7th February 21.

Copies of the note have been submitted to Members of Council.

With reference to orders regarding the consideration by the Council on the 5th March 1921 of the note, I beg to state that very early orders -- are necessary for stopping in this year itself all items of expenditure that can be deferred for want of money. I have explained in four other --- notes submitted today the urgent need for action in this direction.

As regards sending copies of the note to certain Heads of Departments, I beg to state that the note which submits a respectful representation on the Council resolution is not a document which can be sent to the Heads of Departments. Besides, it seems to me that without definite orders of Government, the Heads of Departments are not likely to reduce their expenditure either in the current year or in the next budget year.

7.2.21

Dewan

7.2.21

To the Chief Secy with Copies of the four notes referred to above

10.2.21.

NOTE—Contn. sheet.

18. Financial Secretary's note on Revenue Budget for 1921-22 with Comptroller's remarks thereon.

THE REVENUE BUDGET FOR 1921-22.

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It has not hitherto been the practice to lay down beforehand the general policy that should guide the revenue budget programme of any year. Individual departmental estimates are being independently dealt with and orders passed upon them and the aggregate of the separate estimates thus dealt with has hitherto formed the budget programme, irrespective of the result arrived at. So long as our annual financial position was one of a surplus, it did not much matter if the general aim of a year's programme was not previously laid down, as the chief object of the annual budget framing under the old conditions was practically limited to the distribution of the available surplus among the competing departments. The situation has, however, completely changed and it is necessary to decide beforehand to what particular result the budget of any ~~particular~~ year must work and the decision arrived at has to be kept in view in dealing with departmental estimates.

2. I consider it, therefore, essential to settle the general principles of the budget for next year before it is time to call upon the departments to prepare their estimates so that necessary instructions for drawing up their programme may be communicated to them in time.

3. Our capital demands have already necessitated the raising of a loan of Rs.140 lakhs this year and as I have explained in my note on the Capital Budget for 1921-22, further borrowing is necessary next year also. Interest and Sinking Fund contribution must form the first charge on the revenues of any year and the expenditure on all other accounts has, therefore, to be limited to what is available out of the revenues after providing for the service of loans. A defi-

cit

deficit in the next year is, therefore, out of the question as, if it is permitted, it is tantamount to meeting the interest and Sinking Fund charges from the proceeds of loans. We cannot borrow to pay interest upon loans and borrowing for building up a Sinking Fund would frustrate the very object of such a Fund. The aim of the budget for next year should, therefore, be to secure equilibrium at least after providing for the service of loans. We have been making contributions from annual revenues to some reserves required for financial stability but we have now reached a position in which it has become necessary to abandon all such reserves including even the Famine Insurance.

4. I have framed for revenue a rough revised estimate for the current year and a preliminary budget estimate for the next year. The appended statement shews details by Major Heads and contains brief notes explaining the estimates.

5. I note below the total revenues that may be expected in the current and next years and the items of expenditure -- which are incapable of reduction and which, therefore, have to be treated as a first charge upon revenues.

		1920-21.- (in lakhs.)		1921-22.
Total revenues		308½	..	322½
Sinking Fund & Interest charges		19½	..	30½
Palace	23½			
Palace Military	1	59½	..	59½
S u b s i d y	35			
Pensions.- Civil	10			
Military	1¼	11¼	..	11¼
		90¼	..	101¼
Balance available for Service Departments		218¼	..	221¼

6. I append another statement shewing the probable expenditure on all the Service Departments in the current year on the basis of the budget estimate but including the additions subsequently

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subsequently sanctioned. If we assume the same level of expenditure for 1921-22 as well, the net result will be as under:-

	1920-21.	1921-22.
Available Revenues	218¼	221¼
Expenditure	251¾	251¾
DEFICIT	33½	30½

7. The Sinking Fund charge in the current year will be about Rs.4 lakhs and that in the next year about Rs.7 lakhs. A sum of Rs.12½ lakhs is available out of past savings on account of the Sinking Fund Reserve and contributions due in current and next years may be met from it. The Departments and the Special Reserve had on 1st July 1920 a balance of Rs.8 lakhs. This may also be utilised this year. Making allowance for these deductions, the deficits in the two years will be Rs.21½ lakhs and 23½ lakhs.

8. In the circumstances explained above, it is necessary to limit the expenditure on Service Departments in 1921-22 t o Rs.251¾ lakhs - Rs.23½ lakhs, or Rs.228¼ lakhs, for balancing the budget.

9. In view of the altered conditions of this year's finances and the need for balancing the next year's budget, it is necessary to curtail the expenditure programme of the current year also to the extent of the anticipated deficit of Rs.21½ lakhs. If a deficit is permitted in the current year, it will deplete the cash balances and necessitate correspondingly increased borrowing for restoring the trasury balance to its proper level at the beginning of next year.

5/2/21

(Initialled)

copies have already been forwarded

To the Chief Secy with Comptr's

R e v e n u e.

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	Budget. 1920-21.	Revised. 1920-21.	Remarks.	Budget. 1921-22.	Remarks.
Land Revenue	112	106	Revenue Commissioner considers that collection may be short of estimates by 6 lakhs.	115	Standard growth 1 Against anticipated collection suspension in current year 2 115.
Forest	40	40	This head is not showing progress as anticipated in Financial Review.	40.	
Excise	72	77	Latest forecast.	79.	
Miscellaneous taxes	6½	7		9	Some growth ona/c of Cotton Excise and Income-tax assumed.
Stamps	14½	16		17	Based on current year's six months actuals.
Registration	3	3		3.	
Assigned Tract Revenue	8	..		..	Not expected.
Mining Revenue.	10	15		13	Based on current year's six months actuals.
Interest	9	8		8	Less due to sale of securities.
Civil Administration	2½	2		2	
Protection	1	1		1	
Public Works	1	1		1	
Army	½	½		½	
Moral & Material Development.	3	2		2	Reduction due to abolition of se school fees.
Railways	17	10*		12	*Working expenses largely increased. xTwo lakhs growth assumed.
K.R.S. & C.P.S.	12¾	12		16	(i)High Price allowance will reduce net receipts (ii)First instalment of 6th instalation revenue in 1921-22.
Sandal Oil Factory	1¼	1		1	These are working
K.G.F. & Industrial Works	½	..		..	at a loss.
Improvement due to premium on gold and lower rate of exchange.	..	7		3	Addition in 1921-22 undercertain. 3 lakhs roughly estimated.
TOTAL	314½.	308½.		322½.	

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Expenditure.

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(For details, please see appended statement.) — B

	1920-21.	1921-22.
Direct Demands on Revenue ..	~~51½~~ 50 -5	51
Supervision of Mines ..	2	
Civil Administration ..	26½ (excluding pensions.) -2	
Protection	43 -3	
Public Works	38 -3	
Moral & Material Development	63 -5	
Grants for Public Improvements	8 -4	
A r m y	19¾ (excluding pensions and Palace Military.) -4¾	
	251¾.	251¾.

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G. R. S. III-2.

General and Revenue Secretariat. | File No. of 19

Serial No.

REVENUE BUDGET FOR 1921-22.

Forwarded to the Comptroller with compliments for favour of verification and suggestions.

5/2/21

No.

No 1001 3/2/21 Books.

Verified and returned. According to the revise estimate for the current year roughly ~~formed~~ framed in advance of the Budget Review I find that the revised estimate of revenue for the current year in the statement appended to the note is about 10 lakhs better than my ~~estimation~~ estimates in the aggregate. But this only emphasises the position indicated in the above note which calls for immediate orders in time for framing the next year's budget.

I am examining the progress of expenditure during the current year with reference to sanctioned budget allotments and shall if necessary submit a note shortly for the orders of Government.

J Satyanarayana
Comptroller.

MSR/7-2.

6/2/21

Subd. to Dewan for orders on my note of 5/2/21

7.2.21

NOTE—Contn. sheet.

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(8) Financial Secretary's note on ~~Capital~~

CAPITAL BUDGET. 1921-22

with Comptroller's remarks.

The possible resources for meeting the capital demands of any year are the following:-

(1) Cash balance at the beginning of the year in excess of requirements.

(2) Revenue budget surplus, if any.

(3) Net contributions to Reserve Funds.

(4) Sale proceeds of Securities.

(5) Net additions under Unfunded Debt and Deposit heads.

and (6) New Loans.

2. The cash balance on 1st July 1921 is expected to be Rs.43 lakhs: please see Comptroller's note herewith put up. It will be necessary to strengthen this balance in the current year itself to the extent of about Rs.37 lakhs by borrowing from the Imperial Bank of India (the late Bank of Madras). The first resource is, therefore, not available for meeting the capital demands of next year. On the other hand, the temporary borrowing in the current year will have to be replaced by permanent borrowing in the next year.

3 We have no longer any revenue budget surpluses. I have represented in another note the necessity for aiming at a balanced budget for next year and not permitting a deficit. If a deficit, however, is allowed, it will add to the amount to be raised by borrowing.

4. All the contributions to Reserves have been absorbed for meeting increased expenditure on Service Departments. Accordingly, the Reserve Funds do not get any contributions from revenue and they cannot, therefore, afford any assistance to the capital programme.

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5. The kinds and amounts of the various ~~kinds of~~ Securities on 1st July 1921 are estimated as under:- in lakhs.

	Face value.	Market value.
Bonds		
5½ % Government of India ~~xxxxxxxxxx~~	10 ..	9½
3½ % Sterling	6 ..	3½
S.M.Ry. Debentures	34½ ..	20½
Other Securities	10 ..	6
Deposits in Mysore Bank not available until 1924	10 ..	10
Shares in Companies	1 ..	1
Total	71½ ..	50½.

6. The minimum liquid assets we should have against our liabilities are the following:-

Half of Savings Bank deposits ..	38½
Sinking Fund for the 4 % Loan to be discharged on 1st October 1921	3
Sinking Fund for the 5½ % Loan ..	11½
Sinking Fund for the new loan of 1920-21	4
Famine Insurance Reserve ..	48
	105.

7. It will be seen from the above particulars that there are no more securities to be sold for financing capital works. On the other hand, a sum of Rs.53½ lakhs has to be replaced to raise the liquid assets to the required level. Against this demand, the sum of Rs.32 lakhs to be left with the Mysore Bank under the conditions of the loan of this year may be counted as it will be released in 1922-23. The balance of Rs.21½ lakhs has to be found from borrowing.

8. A sum of about Rs.12½ lakhs may be expected from Savings Banks, Depreciation, Insurance and Provident Funds as available for capital purposes.

9. The only means available for meeting the requirements of capital is, therefore, having recourse to borrowing. T h e conditions of the money market continue to be disturbed and the rate of interest shews no tendency to go down. The demand for capital is increasing on all sides and the capital issues that ~~are being~~ are

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are being placed on the market are offering more and more attractive terms. What terms we shall have to allow for our new loan and what is likely to be the response to it are very uncertain. One point, however, is clear, namely, that if a large loan has to be raised sufficiently attractive terms will have to be offered.

10. The following statement is an estimate of demands and resources on the capital account during 1920-21:-

Demands.		Resources.	
Repayment of temporary Debt..	37 lakhs.	Opening ~~Bkan~~ Balance	80 lakhs.
Capital Works.--		Net additions from deposits, etc.	12½ ,,
Electrical Department.- Sixth Installation ..	16 ,,	New Loan	129 ,,
Ordinary Capital works (c.f.s.).	6 ,,		
Iron Works	31 ,,		
Railways	20 ,,		
Krishnarajasagara ..	10 ,,		
Deficiency in Liquid resources	21½ ,,		
Closing Blanace ..	80 ,,		
	221½ lakhs.		221½ lakhs.

11. As I have explained in the note on the Revenue Budget estimate for 1921-22, the deficit in the current year is expected to be about Rs.21½ lakhs after giving up contributions to a l l reserves and exhausting all available balances of Reserves and Departments and it is largely responsible for the temporary borrowing that will be necessary this year. We have to pledge securities for borrowing and as the S.M. Ry. Debentures are with Messrs Coutts & Co., we have securities for borrowing only about Rupees 15 lakhs in India allowing for the margin which the Bank w i l l require. The need for economising expenditure both on the revenue and capital accounts in the current year is thus very great to prevent or reduce the temporary loan of this year and the corresponding long term loan to be raised next year for repaying the short term loan.

12. For the Sixth Installation and Iron Works, I have provided for ~~the sanction~~

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for the sanctioned estimates expected to remain unexecuted on 1st July 1921. If these estimates are enhanced, and if the increased expenditure should be incurred in 1921-22, it will correspondingly add to the amount to be raised by borrowing.

13. For Railways and the ordinary capital works of the Electrical Department, I have allowed amounts of about the average outlay in the last 3 years. If larger amounts are required, the amount to be raised by loan should be correspondingly larger.

14. For Krishnarajasagara, I have included Rs.10 lakhs.

Whether it is right to continue the large grants that are being made for the construction of this Reservoir requires serious consideration. The second stage of the Reservoir is in progress but it has not yet been decided to what use the water to be impounded by that stage should be put. In the meantime, funds released by the sale of securities which were earning interest or found by raising loans on which interest has to be paid, are being spent upon the Reservoir, which is incapable of yielding an adequate return. The condition of our revenue account is very unsatisfactory and it is not possible to borrow money at a high rate of interest and invest it on a work which is really unproductive. I would earnestly request that the question of further outlay on this project may be seriously considered.

15. It will be seen from what is stated above that borrowing in the next year is a necessity and that the amount to be raised depends on orders that may be passed on points noted in paras 3, 11, 12, 13, and 14 supra.

16. Orders have to be passed on the Comptroller's proposal to borrow for restoring the treasury balance to the required level. As I have explained in para 11, it is not possible to borrow more than Rs.15 lakhs in India. For getting the balance we should try to borrow in London pledging either S.M.Ry. Debentures or the stock of sandal oil there or both.

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5/2/21

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G. R. S. III-2.

General and Revenue Secretariat. | File No. of 19

Serial No.

CAPITAL BUDGET FOR 1921-22.

Forwarded to the Comptroller with compliments for favour of verification and suggestions.

5/2/21

227-R
S.O. No. Books 1000 8.7.21.

Verified and returned.

The cash position is one which has been causing me anxiety for some time. To meet the demands of the Iron Works and of the normal treasury transactions of the last week of January and the first week of this month, I had to break a deposit of 17¾ lakhs fixed with the Imperial Bank, Madras, till 28th July 1921. The bank balance which was 13.55 lakhs on the 31st January 1921 to-day stands reduced to about 6 lakhs. This is very too low to meet the demands of the remaining months of the current year. I am therefore arranging to break also the other two deposits aggregating 12¾ lakhs maturing for repayment only in July and August 21. This may perhaps carry us through to the end of the current month. With the withdrawal of these deposits, we shall have exhausted all our existing resources for strengthening the cash balance and I cannot therefore see how to provide for the cash required for treasury transactions during the first two weeks of March 1921 before which

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NOTE—Contn. sheet.

the

Serial No.

the revenue khists cannot reach head-quarters.

The situation appears to me to be very serious and to call for immediate action to enable me to make needful arrangements for finding the required balance. I am submitting separately for orders a note reviewing the situation with reference to the cash balance in all the treasuries and banks on 1st February 1921 after all the reports are received.

J. Satyanarayanaiah
Comptroller.

CV/7-2

Subt. to Dewan for orders on my note dy 5/2/21.

7.2.21

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NOTE—Contn. sheet.

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CB. 123

Notes of discussion in Council on 5th March 1921.

The representation of the Financial Secretary dated the 19th January 1921 with reference to the Council Resolution of the 23rd December 1920 regarding the financial policy for the triennium commencing with the current year was considered, and it was noted that while it was difficult to wipe out the deficit on the revenue budget, all possible measures should be adopted to reduce the deficit to the lowest possible limit.

The Financial Secretary's note dated the 7th February 1921 on the revenue budget for 1921-22 was accordingly next taken up for consideration. As worked out in this note, with the present scale of receipts and expenditure, the revenue receipts for the next year will fall short of the revenue expenditure by 30½ lakhs. By using up and completely exhausting the previous years' departmental balances amounting to 7 lakhs the deficit may be reduced to 23½ lakhs. A budget as thus framed would make provision for interest and sinking fund for State loans, but not for any reserves, not even the Famine Insurance Reserve. It was held to be necessary to avoid this deficit and to try to balance the budget. With this object, it was proposed to attempt reductions in expenditure below the level of the budget of the current year to the extent noted below:--

Direct demands on revenue	..	Rs. 5 lakhs
Civil Administration;	..	" 2 "
A r m y	..	" 4¾ "
Protection	..	" 3 "
Public Works	..	" 3 "
Moral & Material Development	..	" 5 "
Grants for public improvements		" 4 "
Total ...		Rs. 26¾ lakhs.

The examination of departmental budgets with a view to determine what particular items of expenditure can be cur-

curtailed or eliminated, for effecting economines to the extent indicated above will be undertaken by the Dewan and the Members of Council in consultation with Heads of Departments during the next ~~ten days~~ fortnight.

The note of the Financial Secretary dated the 7th Feb. 1921 on the Capital budget for 1921-22 was next considered. It was found that a sum of at least Rs.85 lakhs would be necessary for capital works in the next year according to the particulars noted below:-

Railways, ...	...	Rs. 25	lakhs
Iron Works, ...	...	" 35	"
Krishnarajasagara	...	" 10	"
Cauvery Power Scheme	...	" 15	"
	Total...	Rs. 85	lakhs

This amount will have to be found by raising a loan.

Owing to the revenue under some of the heads in the current year being largely below the budget estimate and owing also to heavier expenditure than was anticipated in the budget on the capital accounts of the Bhadravati Iron Works and the Railways, it is expected that the treasury balance will be much below the required level of about Rs. 80 lakhs on the 30th June 1921 and it will therefore be necessary to obtain a temporary loan to be repaid from the long term loan to be raised next year. For ascertaining the exact amount of accommodation required in the current year, it was proposed to require the Comptroller to submit a revised forecast of the treasury position with reference to the latest cash balance reports and the demands on revenue and capital accounts to be met in the remaining part of the year. A loan of not less than Rs.100 lakhs was held to be necessary in the next year and it was proposed to further consider the methods of raising this amount.

Dewan)

7/3/21

Extract from the Proceedings of the 566th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 28th April *1921.*

24) Council Resolution dated 29th April 1921.

374. Subject. - Clause xii of the Schedule.

Estimate of Capital Expenditure for the year 1921-22.

Opinion of the Council.

The following programme of Capital Expenditure for the next year may be adopted:—

Railways ...		30 lakhs	including a lakh for liner service by the ....o.
Electrical Department		23 ,,	
Iron Scheme ...		40 ,,	Note.- This is on the supposition that 15 lakhs are paid during the current year.
including Forest Tramways ...	15		
Ore and flux operations ...	5		
Krishnarajasagara Works		7 ,,	
Total		100 lakhs.	

The amount of loan to be raised for the above, and for the repayment of temporary loans may be fixed at 100 lakhs. This is exclusive of the working Capital for the Iron Works, which will have to be financed separately through the Managing Agents.

(Sd). M. Kantaraj Urs..
Dewan of Mysore

"EXTRACT"

Chief Secretary to Government.

WD 433—GPB—1,000—1-9-20

N.O No. 995 Works dt 4.2.1921

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Ways and Means

1920-21.

I enclose a statement showing the anticipated resources and the demands against them for the second half of the current year and working out from the opening cash balance on 1-1-1921 to the closing cash balance of the year on -- 30-6-1921.

2. In this statement I have taken into account all the factors so far known to this office as affecting the Budget position. I have reduced the Revenue Estimate in the Budget by about 23½ lakhs as per details below for reasons briefly explained against each item in the statement itself

Land Revenue	6	lakhs less
Misc. Taxes	1½	" "
Surplus Revenue	8	" "
Interest	2	" "
Railways net	6	" "
	23½	lakhs

3. This fall in revenue is partly counter balanced by anticipated excesses under Stamps and Mining Revenue aggregating to about 3½ lakhs. The net decline from the Budget estimate of the Revenue will therefore be about 20 lakhs as per present forecast.

4. The expenditure under Service heads is expected to exceed Budget anticipations by about 6½ lakhs owing to increase in high

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prices allowances payable according to later orders and to the grant of enhanced potgi allowances and to the -- higher Sinking Fund and Interest charges relating to the new loan for which there is no provision in the Budget.

I understand from the Land A that the excess will be 34 lakhs as 10 lakhs are expected to be spent against 36 lakhs in the Budget - small 4 2 21

5: An excess of 24½ lakhs is also likely to occur under Capital Outlay mainly on the Iron Works.

This will be 61 lakhs only

6. The Ways and Means position of the current year will therefore be ~~the~~ worse than Budget anticipation by about 51 lakhs. I have no information as to what revenue can be expected from the Sandalwood Oil factories. The condition of the sale of oil in December and January last would seem to require provision for oil locked up unsold but the exact amount of such provision cannot be ascertained. It is also likely that the slump in the sales is only temporary and that the sales may mount up to their former level. On these considerations I have assumed that the market will resume its normal condition during the current and next months and if any stock continues to be locked up it will only be the stock of oil produced in December and January last for which sales have not been found.

7. I think we may deduct a sum of 15 lakhs on account from the closing cash balance worked out by me ~~on this account~~

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to be quite on the safe side. After this deduction the effective cash balance leaving out of account the minimum balances to be left with the Bank of Mysore and Messrs. Coutts & Co., under agreement will be about 38 lakhs. This is hardly enough even for the minimum cash balance required to work the moffussil treasuries with. Assuming that all payments on account of Iron Works will be completed before the close of the year we ~~would~~ require atleast 80 lakhs on 1-7-21 to start the financial operations of the next official year. A sum of 42 lakhs will have therefore to be found to supplement the cash balance to the level of the minimum required. We may therefore have to resort to Temporary borrowings, to this extent pending final orders of Govt on the Ways and Means of the next year.

This will be 28 lakhs or with 43 lakhs without expecting Sandal oil, lock up.

This will be increased to 52 lakhs and if we can assume that there will be no lock up of funds owing to want of market for sandal oil, the amt to be borrowed will be 52-15 = 37 lakhs. 4-2-21

8. I request orders for raising this temporary loan when the need is felt from the Imperial Bank of India (old Madras Bank) on the security of Govt. of India promissory notes with us. This is the only possible course open as there can be no more sale of Securities, our Security holdings having been reduced to even below the prescribed minimum of 100 lakhs. Vide Statement of investments as on 1-7-21 appended

Comptroller's Office
Bungalow 4th Feb 1921

T. Ratnaswamy Chetty
Comptroller.

A. REVENUE.	Budget 1920-21	Preliminary actuals from July to Dec 20	Estimated actuals from jan 21 to June 21	Remarks.
Principal Heads of Revenue—				
Land Revenue ...	112.00	8.29	97.80	Reduced by 6.00 on a/c of anticipated remissions.
Forest—(a) Supplies to Sandal Oil Factories	40.06	6.68	33.38	
(b) Other Revenue ...	72.00	37.92	34.08	
Excise	6.50	88	4.18	The income tax on deductions from salaries is taken at 1½ lakhs & the tax on other incomes at 3½ lakhs for the whole year.
Miscellaneous taxes	14.50	8.30	8.20	Raised as the first six months show increase.
Stamps	3.00	1.52	1.48	
Registration	8.00	..	...	Not expected this year.
Surplus Revenue of Assigned Tract. ..	10.00	5.80	5.70	
Mining Revenue	9.27	2.83	4.50	Reduced on a/c of sale securities
Interest	12.67	8.08	4.50	2nd 6 mths figures include adjustment on a/c of depreciation.
Cauvery Power Scheme (Net) and M. R. S. Net receipts	17.00	7.09	4.00	The working expenses are expected to be high The matter is under investigation
Railways (Net) ...	1.31	...	1.00	
Sandal Oil Factory (Net) ..	39	...	40	
Other Industrial works ...	8.45	4.00	4.45	
Other Revenue. (civil adm. protection civil works, moral & material development & Army)	315.15	91.39	203.67	
Total Revenue				
B. EXPENDITURE.				
Palace	23.50	13.50	10.00	
Subsidy	35.00	...	35.00	Includes adjustment on a/c of establishment and T. P. charges.
Public Works	37.15	20.00	17.15	
Capital other than Railways ..	68.53	35.00	58.00	Excess due to Iron works
Interest and Sinking Fund Railways—Revenue ..	14.83	.70	~~20.63~~ 16.63	Interest on the new loan has been provided for.
Railways—Capital	25.00	12.00	13.00	
Reserve Funds	9.83		9.83	
Other Expenditure	230.51	116.30	120.70	Increase of 6½ lakhs on a/c of high price allowances and Pot gi. allowances recently sanctioned.
Total Expenditure ...	446.35	197.50	~~249.31~~ 244.31	
C. DEBT HEADS—(Net transactions)				
Investment Account			55.00	Fixed deposits realised & sale of securities
Debt				
Unfunded Debt			3.00	These are very rough estimates Details with reference to actuals are being estimated.
Local and other Funds			2.00	
Deposits, Advances and Loans, etc., ..			4.00	
Account with the Accountant-General,				
Reserves			11.66	
Remittances				
Total Debt Heads (net) ..			75.66	

11.50
4.00
15.50
5.00

Statement of securities as would stand on 1st July 1921.

Description	Actual on 1st Jan 21	Probable addition or Deduction	Probable Balance at face value on 1-7-1921
	Rs		Rs
3½% Sterling stock	7,55,000	-1,70,000	5,85,000
5% War Bonds of 1929-47	18,50,000	-18,50,000	"
5½% ——— 1920	900	-900	"
Do ——— 1921	5,25,825	"	5,25,825
Do ——— 1922	1,08,100	"	1,08,100
Do ——— 1923	30,900	"	30,900
Do ——— 1925	5,900	"	5,900
Do ——— 1928	3,59,600	"	3,59,600
4% Bombay City Imp. Sterling	3,13,000	"	3,13,000
4% Madras municipal Debs	3,00,000		3,00,000
4% Calcutta —Do—	4,00,000	"	4,00,000
4% M & S.M. Ry. Debs. of 1936	26,32,490	+1,80,000	28,12,490
Do ——— 1938	8,17,880	+2,40,000	10,57,880
Miscellaneous Investments	1,03,510	"	1,03,510
Total Value of Securities	82,03,105	-16,00,900	66,02,205
Deposits in Mysore Bank			43,00,000
		Total	1,09,02,205
		Deduct depreciation	1,09,814
		Net Value	8,92,391

C. Rm Aiyar

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D.O.No.189.

The Palace,
Bangalore,
9th March, 1921.

My dear Sir,

His Highness will be glad if you would kindly let him have a complete note on the question of the ensuing Budget asearly as possible.

Yours sincerely,
(Sd.) R. H. Campbell.

To

Rajasevadhurina
Sirdar M. Kantaraj Urs, C.S.I.,
Bangalore.

Recd. 9-3-1921.

Fl. Secy.

Please note and prepare one as early as practicable. In the meantime a suitable draft reply may be put up.

(Id.) M.K.

G. R. S. VI—G/32]

133

SUBJECT.....

.....

.....

D.O.No. H 41 14/10/24

Section

File No.

Serial No.

Diary No. of letter replied to

Camp Mysore

General and Revenue Secretariat

( )

; the 191 .

Confidential

No.

Date of issue

Signed by

To The Supdt, Govt. Rly.

Dear Sir,

I am ~~directed~~ desired to forward herewith for being set in type as an "A" collection ~~copy~~ the file of papers relating to the Financial Settlement. Four copies of the proof may kindly be sent Very early. The Officials present the work ~~Agent~~ may be instructed to take instructions from

over.

~~Superintendent~~ Engineer,
~~Please~~ to

G. R. S. VI—G/32]

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SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

, *the* 191 .

Date of issue 15/11/21

Signed by [illegible]

Section

File No.

Serial No

No. H 2641

To

The Director

Please refer to my letter No 71. III. B/14/10/21 re the printing of the Final Settlement papers. As the matter is urgent, may I request you to kindly expedite the despatch of the proof copies thereof.

[illegible]

14.11.21

The Director

over.

[illegible]

P/g

Note on the Second Edition Budget Estimates
1921-22.
ooooo

The second edition of the General Abstract of Revenue and Expenditure received from the Comptroller is appended. The result is a deficit of £[illegible],35,000.

2. Orders of Government on the second edition Estimates of the following Departments have not yet been communicated to the Comptroller and are not taken into account in the above Abstract:-

~~XXI.~~ Agriculture.

12. General Administration.
13. Rural.
17. Miscellaneous.
20. ~~Railways~~ Police.
21. Penal.
23. Irrigation Works.
24. Civil Works.
26. Education.
27. Agriculture.
31. Army.

3. For the purpose of considering the measures necessary for balancing the budget, the figures taken by the Comptroller may be allowed to stand, as the alterations that may be made in them are not likely, on the whole, to materially affect the results by more than about a lakh. The budget of the Education Department alone has not yet been dealt with by the Financial Department, as the Inspector-General of Education has not yet sent his criticism on the first edition estimates of the Comptroller. In the final note on the Education Memorandum, it is stated that the ordinary grant for the Education Department proper for next year should be taken at [illegible],34 lakhs. As this is only previously three [illegible] 34 lakhs, it is assumed that the estimate of [illegible] includes the miscellaneous as well. Taking the University grant at 6,50,000 as fixed by the Council, the total

total budget estimate of the Education Department would stand at Rs39,00,000, ie 6,71,000 less than the Comptroller's figure.

4. The Comptroller has taken a revenue of Rupees 67,000 under Industrial Homes. This is not realisable, as there is a large amount of arrear loss to be made good from future profits, if any.

5. Deleting .67,000 under Industrial Homes - Loss Receipts -. and taking the total Education grant at Rupees 33,53,000, the comptroller's deficit will be altered to Rs27,33,000 plus .67,000 - Rs.6,72,000 as Rs.20,61,000.

6. The following improvements decided upon at the Council meeting on the 20th April 1931 will help materially to reduce this deficit:-

Raising the estimates of -

Land Revenue	..	1,00,000.
Cotton	..	7,75,000.
Excise	..	4,00,000.
Reducing Public Works grant		2,50,000.
		15,25,000.

7. The remaining deficit is Rs 7,08,000. The net savings on account of Sinking Fund, a sum of Rupees 7,00,000 is available for meeting the contribution next year for both the loan and sinking loans. If the Sinking Fund contribution of next year is met from such savings, the budget will be just balanced.

8. The balancing has become possible only in this way of the fact that we are likely to have for some year net savings under the following departmental heads and reserves according to the Revised.

Reserve for Sinking Fund	7,00,000.
Local Self Government	3,00,000.
Famine Relief Reserve	1,00,000.
	11,00,000.

9. As no cash balance will be available because the deficit and [illegible] balance is only a deficit which can be taken out only by increasing revenue or by diminishing [illegible].

10. Considerations to all persons [illegible] for the Income Revenue(making allowance for the additional expenditure ~~expenditure~~ of one lakh referred to in para 8 above) have been called for balancing the budget.

11. In the above calculation, I have not taken into account the requirements on the basis of the letter of [illegible] it cannot be met otherwise ~~it requirements are not met~~, even the [illegible] provision of 40 lakhs in the Income Revenue will have to be [illegible] on the provision made for it will have to be increased considering the cost of each block.

G. R. S. VI—G/32]

Today 139

SUBJECT.....

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.....

Urgent

Diary No.. of letter replied to——

Section

File No.

Serial No.

General and Revenue Secretariat

( )

, the *191* .

No. 3U. 3360

To

Date of issue 4-1-22

Signed by Mr Alagiri Gowda

Dear Sir,

May I request you to kindly Expedite the despatch of the proof called for in connection with the printing of the papers relating to the financial settlement. The matter is urgent & may be treated very kindly. 6 copies of the proofs may be sent

Yours truly

4/1/22

To D. B Ramachendra Moorthy Esq

Superintendent

over.